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In 2 Sections—Section 1

The COMMERCIAL *and* FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 162 Number 4410
New York, N. Y., Thursday, August 9, 1945
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Relax Restrictions On Currency Imports

Limits on Foreign Currency and U. S. Bills of $20 or Less Removed

WASHINGTON, Aug. 8.—Secretary of Treasury Vinson announced today relaxation of Treasury Department restrictions on the importation of currency. Foreign currency without limitation and United States currency in denominations of $20 or less may now be freely imported.

Secretary Vinson

The Secretary recalled that "one of the purposes of the currency controls was to reduce the foreign exchange value to the Germans of United States currency in their possession. The defeat of Germany has made it possible to eliminate the import controls over small-denomination bills. This action removes an inconvenience to travelers to the United States and is a further illustration of the Treasury's desire to remove wartime financial controls as rapidly as conditions permit."

There has also been removed the restrictions of General Ruling

(Continued on page 648)

Index of Regular Features on page 648.

Nat'l Economic Activity in 1945

By LOUIS J. PARADISO AND LAWRENCE BRIDGE*

Commerce Department Statisticians, Asserting That the Effects of Transitional Changes From Wartime Economy Should Not Be Viewed With Too Much Optimism, Point Out That Although Liquidation of War Stocks Will Be Offset By Building Up Inventories in Civilian Goods, Unemployment Will Rise Until Industry Gets Well Underway on Reconversion to Peacetime Products. Sees Some Deflation in Production and Income in Second Half of Year, But With Favorable Business Conditions and Income. Holds Major Problem Is How Reconversion Can Be Speeded, Since More Goods for Civilians Is Answer to Reemployment Problem.

Louis J. Paradiso

Lawrence Bridge

This year will see the turning point in national economic activity. In general, the steady upward trend in production and income which has continued since the beginning of the European war in 1939 will be reversed in the second half of the year.

This downturn from the peak records of the first half will follow from cutbacks in the war pro-

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*Reprinted from "Survey of Current Business," July, 1945, published by the U. S. Department of Commerce. Mr. Paradiso is Chief, and Mr. Bridge is a member of the Business Statistics Unit, Bureau of Foreign and Domestic Commerce.

(Continued on page 636)

Finances in Wonderland

By MELCHIOR PALYI

Saying "The More We Waste the Richer We Seem to Become", Dr. Palyi Predicts That This "Greatest Miracle of Economic History" May Last for a Considerable Period After V-J Day. Sees Combined Effect of Stimulating Consumers' Expenditure as Carrying Wartime Inflation of Employment Into Its Peacetime Equivalent but Warns That Idea of Out-Producing Inflation Is Preposterous. Holds a Fundamental Disequilbrium Between Effective Demand and Supply for Goods Will Come Despite Controls but Looks for Upsetting Experiments Along Totalitarian Lines.

The Financial Miracle

Money in circulation (outside the banks) has reached over $25 billions, rising at the annual pace of almost $5 billions. Total bank deposits—other than inter-bank balances—are over $135 billions and grow at the rate of approximately a billion per month. The short-term and cashable debt of the government in the hands of the public—practically deposits with the Treasury—amounts to some $80 billions, a staggering $30 billions over and above a year ago. Total per capita purchasing power, actual and potential, was scarcely more than $450 in 1933, but $1,400 by the middle of 1944. Presumably, it will be $2,500 a year hence.

Dr. Melchior Palyi

"Good work," so far as the printing press is concerned. Industrial wage bills are limping

(Continued on page 630)

Impact of the National Debt Upon Banks and the Capital Market

By SIMEON E. LELAND*

Professor of Government Finance, University of Chicago

PART I

THE DEBT AND THE BANKS

After Reviewing the Growth of the National Debt and the Composition of the Holders, Professor Leland Discusses the Problems of Future Issues. Doubts That After the War Patriotic Urges Can Be Depended Upon to Assure Substantial Sales to Individuals, Particularly if There Are Investment Alternatives. Holds Banks and Financial Institutions May Also Shift Their Holdings to Higher Yielding Securities, and Sees Possibility of Treasury Refunding Into Higher Yield Issues, if FRB Open Market Operations and Other Devices for Supporting Market of Government Bonds Fail.

Simeon E. Leland

An attempt to discuss future policies always creates the risk of substantial error. The future is uncertain; many policies are undetermined. But in dealing with the problems of the national debt some of the uncertainties are certain and not a few of the imponderables are capable of delineation. The debts of today produce known problems to be wrestled with tomorrow. Few current questions are as pressing for solution; few possess as serious consequences for economic gain or loss as the management of the national debt.

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*Reference data at end of first column on page 632.

(Continued on page 632)

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Reconversion Not Fast Enough

By Hon. JAMES M. MEAD*

U. S. Senator From New York

President Truman's Successor as Chairman of the Senate Committee Investigating the National Defense Program Urges a Stepping Up of Reconversion. Says Unless Civilian Economy Is Diverted Back Into All Its Peacetime Energy Widespread Unemployment and Business Depression Will Develop and the Whole Social Fabric of Our Society Be Cut Up. Calls for a Dovetailing of Our Pacific War Production With Civilian Production and Accuses the Government of Failing to Give Help to Business and Industry to Reconvert Quickly. Advocates Removal of Wartime Controls and Restrictions.

The Special Committee of the United States Senate Investigating the National Defense Program, of which I have the honor to be Chairman, has just issued its fourth annual report. In it we make recommendations based on long, careful study. We state conclusions reached only after painstaking investigation of the facts.

Sen. James M. Mead

I would like to re-emphasize some of the findings in the Committee report. We point out that during the time when we were fighting a war on two fronts, our requirements and objectives were relatively simple. Inflicting military defeat upon the enemy was then the paramount objective. Almost everything we did was governed by one burning question: Will it win the war in the shortest possible time? We still have to ask ourselves that question to insure speedy victory over Japan with the least loss of life of our fighting men. However, since the defeat of Germany, our problems have become far more complex. Now we must not only accomplish the goal of beating Japan, we must also achieve our other goals. If we don't, eventual military success in the Pacific may prove meaningless.

One of the prime purposes is to strengthen our civilian economy and divert back into it all the energy in the form of peacetime production, which is not required for military use. We should provide jobs for all our returning servicemen and for all others able and willing to work. Otherwise, widespread unemployment and

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*A radio address by Senator Mead over the Columbia Broadcasting System, July 31, 1945.

(Continued on page 638)

Alfred E. Loyd Now A Republican Committeeman For New York County

At the primaries recently held in the City of New York, Alfred E. Loyd was elected a member of the Republican County Committee of the County of New York. It will be recalled that until a couple of years back Mr. Loyd did business in over-the-counter securities from White Plains, N. Y., as Alfred E. Loyd & Co. The firm was active for over 25 years.

Basic Transportation Policy Needs

By DONALD D. CONN*

Executive Vice-President, Transportation Association of America

Holding That Private Ownership of Transportation Sets the Stage for All Private Enterprise, Mr. Conn Alleges That Unless Care and Deliberation Is Taken to Assure Equal Opportunities and Equitable Competition for All Forms of Transportation Facilities, Without Regulatory Discrimination, All Sorts of Socialistic "Isms" Will Result. He Criticizes the "Crazy Quilt" System of Conflicting Regulation of the Various Transportation Types and the Use of Government Credit and Taxes to Support Some Carriers at the Expense of Others. Advocates Preserving Competition and Coordination Between the Various Systems, and Calls for a Single Governmental Regulating Body for All Forms of Transportation.

In the world of tomorrow the United States becomes a partner in a community of nations. No longer can we ignore the ideologies of other countries.

Donald D. Conn

Problems of great magnitude, both in the domestic and international fields, invite us to experiment with new philosophies of government. Unless the signposts of freedom and private ownership are clearly marked on the road we travel, it will be easy to detour and follow the paths that Europe has taken, and these paths, as history shows, lead to the same destination—the substitution of the authority of the state for that of the individual, complete centralization of government in the hands of a few, state ownership of property, the loss of freedom.

The basic philosophy of our republican form of government is **private** ownership and management of property. State socialism in any country means **government** ownership and management of property. Government ownership of transportation precedes the adoption of any one of these foreign "isms." Only in Great Britain, the United States, and the Canadian-Pacific System in Canada does private ownership of transportation still prevail.

Transportation policies are the keystone in the arch of the governmental structure of every nation. How we deal with the transportation problem in the United States in the next few years may determine public attitude and Congressional policies toward agriculture, industry, and finance in the period just following the war. Transportation may set the stage for all private enterprise.

Next to agriculture the transportation industry is the largest segment of the economy. It represents, in peacetime, approxi-

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*An address by Mr. Conn before the Aviation Industry Forum, New York Board of Trade, New York City, July 27, 1945.

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The Recent NASD By-Law Amendments

Recent Amendments to NASD By-Laws Requiring Registration of Certain Personnel Should Be Disapproved by SEC. Reasons Calling for Such Disapproval. NASD Governors Now Empowered to Submit By-Law Amendments Controlling Profits and Commissions. Difficulties Besetting Definition of "Reasonable Profits." New Powers an Indigestible Morsel. Such Control Endangers Industry as a Whole. Not Relished by Public.

Dealing with the recent NASD by-law amendments which, amongst other things, provide for the registration of partners, officers, salesmen, traders and other employees of member firms, a letter addressed to the members of the National Association of Securities Dealers, Inc., and signed by Wallace H. Fulton, the Executive Director, dated Aug. 2, 1945, contained the following:

"The amendments will now be filed with the Securities and Exchange Commission. If the SEC does not disapprove within 30 days, they will become effective Oct. 1, 1945."

In our opinion, the following reasons would not only justify the SEC in disapproving these amendments but also require that the amendments be so disapproved:

(1) The violation of Article IX of the by-laws by reason of a failure to provide for a complete secrecy of the ballot, including secrecy as to the identity of non-voters.

(2) Again, the violation of Article IX of the by-laws evidenced by pressure methods used on non-voters by the Governors and their official representatives. Some of these representatives have specific powers in disciplinary proceedings. What effect upon the ultimately responding non-voters a knowledge of these powers has is not hard to imagine. Certainly this was not conducive to a free expression of opinion.

(3) Mass voting on all the amendments, i. e., one all-inclusive vote on Article XV, which is the new article dealing with registered representatives, and on amendments to Article VII, Article II, and Article V as well as certain amendments to the procedure for handling trade practice complaints.

This type of balloting made possible for the Board a filching of new powers relating to the regulation of profits and commissions.

When by-laws or amendments to by-laws contain distinct subject matter, as they should, they ought to be distinctly and separately voted upon.

One of the new powers acquired by the Board under the recent amendments to Article VII, Section 1, is the power to submit to the membership rules of fair practice "to pro-

(Continued on page 643)

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The Future of Municipal Bonds

Noting the Marked Decline in the Yield of Municipal Bonds Due to Tax Exemptions and to Court Decisions Upholding Federal Non-Taxability, Writer Holds That Because of Prospective High Post-War Income Tax Rates, Municipals Should Continue to Have a Strong Appeal for Investors in High Income Brackets. However, Because of Larger Prospective Municipal Financing and Reluctance of Investment Institutions to Buy or Hold Municipal Obligations, as Well as Other Factors, It Is Concluded That Municipal Bond Prices Are Close to Their Highs for Years to Come.

Prices for municipal bonds reached an all-time high about May 1, 1945, and conversely, yields from this class of investment reached the lowest level on record.

Leslie H. Bradshaw
Editor
"Investment Timing"

Municipal obligations of investment calibre, however, remain attractive for individuals who are in the higher tax brackets.

Price trends in the municipal market remain under the influence of such factors as (a) interest rates; (b) taxes; (c) volume of financing, and (d) sources of demand.

Marked Decline in Yield

Under the 1933-44 era of managed money markets, prices have steadily risen, with corresponding declining tendency in yields. In this 12-year period the average price of 20 selected issues advanced 34 points from 92½ to 126¼; conversely, yields of these municipal bonds, which averaged 5.18% in 1933, had declined to 1.35% in 1944.

According to a survey by the Chemical Bank & Trust Co., covering the 12 years from Dec., 1933, to Dec., 1944, 100 bonds with an average maturity of approximately 16 years showed an appreciation from 90⅞, yielding 5.29%, to 133⅛, yielding 1.61%.

At July 24, 1945, the average price of the municipal bonds was

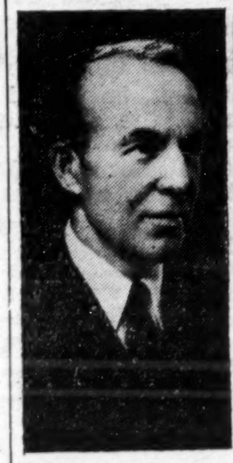
(Continued on page 628)

State Department Spokesmen Uphold Use of Troops

Acheson and MacLeish Contend That Under United Nations Charter President Has Power to Employ Our Forces Without Specific Congressional Authority.

In the 25th of a series of radio broadcasts over the NBC network, featuring authoritative statements on "Our Foreign Policy" by responsible officers of Government departments on Aug. 4, Assistant Secretary of State Dean Acheson and Assistant Secretary of State Archibald MacLeish discussed the implications of the Senate ratification of the United Nations Charter. Both officials expressed the view that under the provisions of the Charter as well as in line with the debate in the Senate, the President has full power to employ military forces of the United States when called upon to suppress aggression without each time going directly to Congress for approval. But, at the same time, it was pointed out that military agreements will have to be

(Continued on page 645)



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More Comments on Competitive Bidding

We continue in this issue publication of letters received by the "Chronicle" in connection with its invitation for comments regarding the subject of competitive bidding on corporate financing. Other expressions were given in earlier issues beginning with that of July 12 and starting on page four in each instance. We invite the views of those desirous of expressing themselves in the matter and request that correspondence be addressed to Editor, Commercial and Financial Chronicle, 25 Park Place, New York 8, N. Y. Naturally, if the writer prefers to remain anonymous, a request to that effect will be observed.

J. J. KISER

Pres., Kiser, Cohn & Shumaker Inc., Indianapolis, Ind.

We are very much opposed to competitive bidding, both as it exists today and especially against any extension of the same to industrial issues.

It has been our experience that it is very difficult for a small house such as ourselves to participate in the distribution of issues sold at competitive bidding.

We are unable to participate in most of the syndicates and find that without knowing in advance who is going to be the successful purchaser that generally the bonds are all gone before we get a chance to participate in the distribution as selling corporation members. We feel that the only result of the extension of the competitive bidding rule to industrial issues would be to practically put the small houses out of business so far as the distribution of new issues is concerned.

* * *

AL HUGHBANKS

Pres., Hughbanks Incorporated, Seattle, Wash.

While we have not been interested in the recent past in underwriting, it is our feeling that any extension of competitive bidding requirement to industrial issues will be a mistake. I note you indicate that the thought is to require competitive bidding only on the high grade industrial issues. It seems to me this would create a great deal of uncertainty as to whether an issue was high grade or whether it was high grade because if its size, or if an issue was offered to the public that had not been subject to competitive bidding, immediately the investors would infer such an issue was not high grade or at least not of sufficient grade to attract the attention of the SEC. We feel that this would be just one more restriction to the free flow of capial.

* * *

A BOSTON DEALER

It has always been a point of interest to me as to who can guarantee there will be any bid at all for securities of companies not well known. And if you exempt some when and how does one

(Continued on page 627)

BOSTON

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Geo. Roberts With Douglass

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, CAL.—George D. Roberts has become associated with Nelson Douglass & Co., San Diego Trust & Savings Building. Mr. Roberts was formerly with Protected Investors of America and in the past was a partner in Wheaton & Roberts.

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Canadians Sensitive About Gold Share Dealings

By HERBERT M. BRATTER

Writer, After Visting Toronto, Reports on Canadian Attitude Regarding Criticism of the Distribution of Gold Mining Stocks Among Americans. Quotes Toronto Press Opinion Upholding Gold Mining Promotions and Resisting Powers to Enforce U. S. Laws in Canada. Cites Canadian Accounts of High SEC Registration Costs and Restrictive State Security Commissions' Regulations as Discouraging Normal Methods of Distribution in U. S.

Herbert M. Bratter

A good deal of American money lately has been going into Canadian gold stocks as a result of mail, telephone and telegraph solicitation from Toronto, and the SEC has bestirred itself on the matter, although it is without power to act in Canada. The writer, while in Toronto recently, was informed that Canadians hold an entirely different view of the activities of their gold stock promoters in the USA, and it is clear they are somewhat disturbed at the black eye which American newspaper publicity is giving not only the Canadian promoters of new gold stocks, but the entire Canadian mining-stock industry.

Therefore, when Mr. John T. Callahan, special counsel for the SEC, visited Toronto in June he was interrogated at length concerning the SEC's role in the American criticism of Canadian gold-stock promotion. Apparently Mr. Callahan talked much more freely to Canadian reporters than SEC officials are wont to talk with American newspapermen. Mr. Wellington Jeffers, financial columnist in the Toronto "Globe and Mail," on June 22 published a lengthy article consisting of 26 questions put to Mr. Callahan, and the latter's detailed answers thereto.

Mining is most important to Ontario, and to Canada as a whole. Newly-mined gold is of material significance to Canada's balance of payments, as long as Washington makes a market for foreign gold offerings. Defenders of Toronto's gold-stock promoters are motivated by these facts. To counteract the effects of such American headlines as: "Stock Frauds Laid to 355 Canadians—SEC Lists 190 Actions Taken by 9 States in 2½ Years for Illegal Sales," Toronto papers carry stories under such headlines as the following:

"Present Century Still Canada's in a Mining Way."

"Lode-Gold Mines of Ontario Lead This Hemisphere."

"Porcupine Gold Has Well Repaid U. S. Capital Aid."

"Ontario Metals Neck-and-Neck With Arizona."

"Nickel-Copper Sudbury Mines Lead the World."

"Ontario Mines Have Done Well for Americans."

"U. S. Statistics Prove Ontario's Gold Leadership."

(Continued on page 644)

Our Meat Situation

By LEE M. WELSH

Mr. Welsh Holds That Rationed Civilian Consumption of Meat Is Approximately 66 Pounds Per Year Per Capita While Supply This Year for Civilian Use Is 124 Pounds. Sees in This a Large Supply Sold in Black Market, and Estimates It at 25 to 35 Pounds Per Capita. Compares British With American Meat Rationing and Concludes That on Per Capita Basis, the Britisher Gets as Much as the American Because of More Efficient Distribution.

L. M. Welsh

That something is very wrong in our system of distributing meats to our civilian population is apparent to everyone. It might be interesting to look at the situation in detail and see just how badly our system has broken down.

Recently the Department of Agriculture estimated that the total meat production this year will amount to 22.5 billion pounds. This figure is on a wholesale dressed-meat basis and is only 9% less than the record output of 1944. Non-civilian purchases of meats, including military purchases, WFA purchases and commercial exports, last year totaled 5.6 billion pounds and this year are expected by the Department of Agriculture to amount to about 6.5 billion pounds, just about the quantity taken out of the civilian supply in 1943.

The quantity of meats available to the civilian population this year will be about 16 billion pounds against a supply last year of 19 billion pounds. On a per capita basis this amounts to 123.9 pounds per person while in 1944 it was 148.9 pounds. The decline of 17% in our meat supply is important but we would take it without comment if that were the end of the story.

Each American receives 50 red ration points a month and at present point values the cost of a pound of meat is 5 or 6 points. It is hard to strike a true figure for this cost, but a simple average of all the point-prices of the various cuts of meat on the OPA list yields a figure of 6 points per pound. To be conservative, let's assume that meat costs 5 red points per pound. The OPA estimates that the average person spends 22 of his month's red points for butter, lard, shortening, cheese and salad oils; then he can buy about 5½ pounds of meat with the balance of his points. His meat comes to 66 pounds per year, and although his butcher's shelves are bare part of the time, he will probably get his 66 pounds from his butcher after much waiting and shopping around.

But the total amount of meat available per civilian this year is 124 pounds. Some of the missing 58 pounds is going into restaurants and factory lunch room or is consumed on the farms on which it is raised but a large share is being sold through the black market. The following is just a guess, but it seems reasonable to estimated that 25 to 35 pounds of meat per capita is finding its way to the consumer without accompanying transfers of red points.

Here is another angle to this situation. There recently appeared in the London Economist a detailed statement of the meat and fat ration which has been in effect in Britain, with only temporary increases, during 1944 and up to the present. Several of the items have just been or are about to be reduced. but last year's figures are satisfactory for our purpose. They are shown in the table below which also shows the number of red points which would be required in the United States to buy the quantities of meats and fats in the British ration.

	British Ration per person per week	U. S. Red points per lb. (June 1945 rates)	U. S. Red Points needed to buy British Ration
Meats	1 s. 2 d. (or about 1 lb.)	5	5
Bacon	4 oz.	8	2
Cheese	3 oz.	9	2
Butter	2 oz.	24	3
Margarine	4 oz.	12	3
Cooking fats	2 oz.	10	1
Total points			16

(Continued on page 645)

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Russia Declares War on Japan

Announcement that Russia has declared war on Japan was made by President Truman yesterday (Aug. 8), it was made known in Associated Press advices from Washington, which, as given in the New York "Sun," said:

"Mr. Truman made the momentous announcement to a hurriedly summoned news conference. He said he had only a simple statement to make but it was so important he could not delay it. Then with a broad grin he declared:

" 'Russia has just declared war on Japan. That is all.'

"The disclosure that the Soviet Union at last had pitted its enormous might alongside Great Britain and the United States against the Pacific enemy had not been unexpected. When it would come, however, had been a matter of conjecture for months.

"Official Washington at once took this development, along with the unleashing of atomic bombing against the Pacific enemy, as a sure sign that Japan cannot long continue to resist."

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Niagara Hudson Plans

Niagara Hudson Power got into trouble in 1942 over some property account adjustments of a subsidiary (ordered by the FPC), and while preferred dividends were earned with a good margin, none have been paid since Aug. 1 of that year. While the system was a compact one, located in New York State, the SEC had jurisdiction, and some simplification of system capital structure was apparently required. The company proposed a broad plan of reorganization and merger, but this met with objections from the New York Public Service Commission, which demanded a big increase in depreciation reserve based on a special theory (retroactive straightline depreciation) espoused by Commissioner Maltbie.

The SEC then took a hand, following an appeal from Buffalo holders of the $1.60 second preferred stock of Buffalo, Niagara & Eastern ("Benny"), an important sub-holding company controlling about half the system. Recapitalization of the latter company gained a "priority" over that of the top company. Two plans were presented, one by BNE $1.60 preferred, the other by Niagara Hudson common (which, of course, has a large stake in the outcome). The main issue was over the allocation of the proposed new BNE common to the $1.60 preferred and to Niagara common. The BNE plan proposed that Niagara obtain only 9%, while Niagara's plan claimed 35%. It was generally assumed that a compromise would be worked out, perhaps giving Niagara 20%-25%. Instead, an entirely new proposal was made in a plan submitted to the SEC July 16 (two amended plans were filed by BNE and Niagara, but they were virtually identical).

The new program provided for retiring the BNE $1.60 preferred at the call price of $26.25 plus accrued dividends, making the total around $31 (compared with the current price of 28½). The company's first preferred stock would also have its arrears paid up and holders would receive 5% preferred in the new company (a merger of BNE and its operating subsidiaries).

Some $63,000,000 will be required to carry out this program, and this would be made available by Niagara Hudson Power using (1) present available cash, (2) a $40,000,000 bank loan, and (3) proceeds of sale of some miscellaneous holdings in Consolidated Edison, Central Hudson G. & E., and Central New York Power preferred. Subject to SEC approval, Niagara Hudson Power proposed to buy any stock tendered to it at prices between $26.25-$30. A bond refunding program would be carried out for the three operating subsidiaries. Niagara Hudson Power indicated that it would eventually liquidate the bank loan, selling part of the new BNE common to raise needed funds.

As an interim measure, Niagara Hudson plans to ask SEC permission for a reduction in the par value of Niagara Hudson Power common to $1 a share, to create sufficient capital surplus for any required adjustment of the company's investment in subsidiaries. This will permit clearing up arrears on Niagara Hudson Power's first preferred and eventually on the second preferred.

The latest statement by President Machold, at the SEC hearings on the plan, indicated that Niagara Hudson Power might eventually dissolve, if it was able to integrate Central New York Power and New York Power & Light into a single operating company (these companies are fully controlled by Niagara). Presumably this would involve distribution of the stocks of the two merged operating companies (one representing the BNE system and the other the two companies just named) to the holders of Niagara preferred, second preferred and common—but press reports have given no details regarding eventual dissolution of the top company.

Unlike many plans, substantial progress had already been made behind the scenes for carrying out the revised BNE program before it was submitted to the SEC. A group of 15 banks had been organized to handle the loan. Simultaneous hearings were to be held by the New York Commission and the SEC—which is rather unusual. Substantial stock interests are said to have backed the plan, the only objection being from an attorney in Niagara Falls, representing a group of Niagara common stockholders.

In the calendar year 1944 Buffalo Niagara & Eastern reported net income (before reservations for plant additions to be set aside by a subsidiary) of $7,304,000. This could be increased by about $1,100,000, it is estimated, through

(Continued on page 639)

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Tomorrow's Markets Walter Whyte Says—

Widespread belief of August dullness may boomerang. Broad top in making but plenty of room for sharp individual advances. Dullness is time to buy.

By WALTER WHYTE

Comments are currently appearing in various market letters that August is traditionally a dull month. I don't know what that is supposed to prove except that the past is a forecast for the future, so August will be dull, too. Even if it is so, I'll venture to say that a great many stocks will advance and probably an equal number will decline despite the dull month tradition. As a matter of fact if you don't have the right stocks, any period is dull, whether or not the averages go up thirty points or go down thirty points.

* * *

Actually there is no hard and fast rule indicating seasonal trends in the stock market. No more than there is a hard and fast rule applying to successful stock trading. There are a handful of axioms, which actually are nothing more than cyncisms which gain respectability through age rather than through practice.

* * *

Every market cycle is the same as all previous cycles, is an expression you must have heard time and again. Yet, no matter how close the resemblance different stocks crop up in each cycle and if you use old habits as a yardstick to new ones the result will seldom be profitable.

* * *

The only thing you can go by is that the market opens at 10 and closes at 3 and what goes on during those hours may be indicative of what to look for in the next session. Over a period of years various stocks acquire certain performance habits. In the old days the professional trader could gauge his

(Continued on page 647)

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The New York Stock Exchange firm of Clark, Dodge & Co. will celebrate its 100th anniversary on Saturday, August 11.

Spanning a period marked by cycles of booms, panics, depressions and several wars, including two world conflicts, the firm's early history antedates the country's organized banking system and much of the structure by which the Wall Street of today carries on its business as the nation's financial capital.

At the formation of E. W. Clark, Dodge & Co., a century ago, New York was just emerging as the financial center of the Union on the strength of banking capital in excess of $20 million.

New York City had a population of 371,000. The eastern seaboard was eagerly looking westward to land believed to have unlimited resources, holding immense opportunities for those willing to give capital and energy to its development.

Organization of E. W. Clark, Dodge & Co. in New York, with capital of $50,000 was effected through a copartnership arrangement linking E. W. Clark & Co. of Philadelphia, and J. W. Clark & Co. of Boston. The business was started at 60 Wall Street, near the fabled buttonwood tree which had sheltered that band of outdoor brokers who in May, 1792, formed the New York Stock Exchange.

E. W. Clark, Dodge & Co. created an additional link in the Clark system of private banks, one of the earliest in America, which was established in 1837 in Philadelphia by Enoch W. Clark in partnership with his brother-in-law, Edward Dodge, with a capital of $15,000.

Joseph W. Clark, Enoch's brother, had established the Boston house which bore his name. In 1842 E. W. Clark & Brothers was organized in St. Louis and E. W. Clark, Brothers and Farnum set up a business in New Orleans in 1844.

The principal business of E. W. Clark, Dodge & Co. in its early years was domestic exchange. Its territory embraced New York State and parts of New England and Canada. The firm later expanded its activities in the investment field and in the Civil War period it participated with other prominent investment houses of that era in the flotation of bond issues for the Federal cause.

Partners of the present firm of Clark, Dodge & Co. are: George Crawford Clark, Benjamin D. Mosser, T. Jerrold Bryce, Eugene M. Geddes, Edward T. H. Talmage, Carl Egner, Arthur O. Choate, Jr., Joseph V. Allen, Perry R. Pease, Sydney P. Bradshaw, William M. Rex, Donald G. Geddes, Arthur O. Choate, David H. McAlpin and Godfrey S. Rockefeller.

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108,000	1955 & 1956	.95	200,000	1963 & 1964	1.15
71,000	1957	1.00	100,000	1965 & 1967	1.20

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NSTA Notes

"40 OVER 8"

We still have three weeks for advertising contracts, and in view of the fact we are greatly past last year's mark, we hope those who have been holding up contracts will get them in. Al Tryder, your Vice-Chairman, is now at work and we are beginning to see some good results from our Philadelphia affiliate. You may recall that Philadelphia was third in the production list for our last year's campaign, and it is barely possible that Al may decide to run ahead of Chicago this year.

We can still mention that Joe Phillips and Ray Bernardi, of Seattle and Detroit, are sending in contracts, and perhaps before this present campaign is over they may be kind enough to tell you through these columns "how it is done."

Partial results to date: New York 74, up 12; Chicago 24, up 7; Tennessee 4, up 1; Detroit 16, up 3; Philadelphia 6; Los Angeles 3. The balance same as reported last week.

We feel certain the next few weeks will greatly increase our gross.

K.I.M. "40 Over 8"—Harold B. Smith, Chairman NSTA Advertising Committee, Collin, Norton & Co., New York, N. Y.; A. W. Tryder, Vice-Chairman NSTA Advertising Committee, W. H. Newbold's Son & Co., Philadelphia.

TWIN CITY BOND TRADERS CLUB

Outing at Midland Hills Country Club, July 20

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Edward H. Welch, Sincere and Co., Chicago

SECURITY TRADERS ASSOCIATION OF NEW YORK

STANY presents the current issue of its monthly magazine, containing news of its members in the armed forces and the "Street."

Calendar of Coming Events

August 17, 1945—Bond Club of Denver Annual Frolic with Rocky Mountain Group of I. B. A. at Park Hill Country Club.

August 24, 1945—Cleveland Security Traders Association annual summer meeting at Manakiki Country Club.

August 28, 29 & 30, 1945—National Security Traders Association, Inc. annual business meeting and election of officers.

1845 ◆ 1945

On August 11, 1945, this firm will mark its 100TH ANNIVERSARY of continuous service to investors.

We take this occasion to express our appreciation to our employees for their years of faithful service and to our clients for the confidence they have reposed in us.

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House Post-War Committee to Visit Europe

WASHINGTON, Aug. 7—The House Special Committee on Post-War Economic Policy and Planning, headed by Representative William M. Colmer of Mississippi, is sendiig an eight-man sub committee to Europe some time this month. Included on the subcommittee, which will sail for the British Isles shortly, are three Democrats, Representatives Colmer, Francis E. Walter of Pennsylvania, Orville Zimmerman of Missouri, and five Republicans: Charles A. Wolverton of New Jersey, Clifford R. Hope of Kansas, Jesse P. Wolcott of Michigan, Jay LeFevre of New York, and Sid Simpson of Illinois.

Wm. M. Colmer

The Colmer Committee, it will be recalled, a few weeks ago issued a report advocating large-scale loans and investments by this country abroad. Mr. Wolcott, who was a delegate to the Bretton Woods Monetary and Financial Conference last year and who played an active role in the more recent legislation to expand the Export-Import Bank from its resources of $700,000,000 to $3,500,000,000, will be especially qualified to study British and European needs and to appraise the opportunities and pitfalls in the path of American investment in that area.

Mr. Wolverton is well known to many "Chronicle" readers for his interest in the Boren bill relating to municipal securities and the SEC's proposed disclosure rule. The New Jersey Representative was instrumental in bringing about the recent conference on that subject at the SEC in Philadelphia.

Since the subcommittee is going abroad at Government expense, and therefore does not come within the scope of the recent ban which President Truman imposed on congressional junkets via the Army Transportation Corps, its mission may be taken to have official approval.

Considering the enormous economic and financial stake which the country is acquiring abroad, largely through Acts of the Congress, the argument that members of Congress should be given the opportunity to see something of Europe while all the existing communications facilities are available seems to this writer persuasive. The Chinese have an old saying that a picture is worth 10,000 words. We might amend this to read: a visit is worth 10,000 pictures. Since these are the men and women who appropriate large slices of our economic strength for use abroad, it is certainly proper that we give them every opportunity to learn what it is all about.

John R. Kauffmann Co. Adds Three to Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — John R. Kauffmann & Co., 506 Olive St., have added G. Elmo Holke, Walter H. H. Schaefer, and George K. Kappelman to their staff. Mr. Schaefer in the past was St. Louis manager for Winthrop, Mitchell & Co. and was with I. M. Simon & Co.

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Real Estate Securities

Repercussion of the Atomic Bomb Blast in Hiroshima Will Be Felt in Real Estate Bonds.

The success of the Atomic Bombs must be an implication of the early end of the war with Japan.

With the coming of peace, the speculator in real estate bonds would be wise to reflect on the effect of peacetime on real estate securities.

Many properties presently successful with the lush of wartime earnings, will again fall back into their languid condition of several years ago.

This condition was caused by over-financing of the properties in the boom era of 1925 to 1929. Normal operation of these properties just could not earn enough to service the large loans placed upon them.

The result was a market value of an average of about 30% for real estate bonds in 1942 with a much lower price for some individual issues. Current average market value of real estate bonds we judge is almost 60%.

In the last three years some individual issues have had enormous increases in price, as an example, the Waldorf Astoria Hotel bonds, which in July 1942 were selling at 2½ and in July 1945 were selling at 68.

In checking over your real estate bond portfolio, it is our suggestion that a study of your bonds be made to ascertain whether or not a substantial reduction has been made in the funded debt of the property which secures your bonds.

We would also suggest the advisability of ascertaining the age and condition of the property securing your bonds.

The cost to rehabilitate obsolete buildings may seriously affect the earnings of such properties for many years.

We do not mean to imply that the end of the war will mean the end of the value for real estate bonds. There are a great many bonds of this nature that are still selling below their intrinsic values. What we are trying to suggest is that it would be prudent to divorce from your real estate portfolio those bonds which in these war time boom days did not have substantial sinking funds. It is a certainty that if such a procedure was not possible with this boom, that the likelihood of any degree of success in normal times will probably be nil.

Among outstanding issues where debt reduction has been effected by either sinking fund operation or reorganization, are the following:

Alden Hotel	3½s	1957
Broadmoor Hotel	4-6s	1956
Broadway & 41st St.	3-5s	1954
Dorset Hotel	2s	1957
Governor Clinton	2s	1957
Granada Hotel	2-3s	1954
Greeley Square Bldg.	5s	1961
Herald Square Bldg.	3½-6s	1948
Lefcourt Manhattan	5s	1948
Lefcourt State	4s	1948
Lewis Morris	4-5s	1951
Lexington Hotel	4s	1955
Lincoln Bldg.	5½s	1963
Lombardy Hotel	3s	1961
Midtown Enterprises	5s	1964
Motors Realty Corp.	4s	1948
Park Crescent Hotel	6s	1955
Pierrepont Hotel	4s	1951
Roxy Theatre	4s	1957
St. George Hotel	4s	1950
Sherneth Corp.	3s	1956
Textile Realty	4-6s	1959
Tyler Bldg.	6s	1953
2 Park Avenue	4s	1956
61 Broadway	6s	1974
61 West 39th St.	2s	1958
165 Broadway	4½s	1958
1400 Broadway	4½s	1948

Anglo-Belgian Monetary Agreement

Continuing its policy of publishing the bilateral monetary exchange and payments agreements between Great Britain and other countries, the "Chronicle" prints below the text of the Monetary Agreement between Great Britain and Belgium, dated Oct. 5, 1944. It will be noted that this agreement sets up an official par of exchange between the Pound Sterling and the Belgian Franc and imposes some restrictions on payments outside the "Sterling Area" and the so-called Belgian Monetary Area (which comprises besides Belgium proper, Luxembourg, Belgian Congo and the mandated Territory of Ruanda Urundi in Africa). Attention is called to Article 8 (i) of the agreement which provides that if contracting governments should adhere to a general international monetary agreement "they will review the terms of the present Agreement with a view to making any amendments that may be required."

Monetary Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Belgium.

London, 5th October, 1944.

The Government of the United Kingdom of Great Britain and Northern Ireland, of the one part, and the Government of Belgium, of the other part, have agreed as follows:—

Article 1.

(i) The rate of exchange between the Belgian franc and the £ sterling shall be Bg. fcs. 176.625 = £1.

(ii) This rate (hereinafter referred to as "the official rate") shall not be varied by either of the Contracting Governments except after mutual consultation.

(iii) In all territories where they have jurisdiction the Contracting Parties shall enforce the

(Continued on page 641)

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Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Canada at War—Recapitulation issue of booklet published by Canadian Wartime Information Board—presents statistical and factual recapitulation of the Canadian war effort—Dominion Securities Corporation, 40 Exchange Place, New York 5, N. Y.

Canadian Funds in New York—Chart covering the period Jan. 1, 1919 to June 1945, recording monthly high and low averages of the Canadian dollar in terms of the United States dollar—copies on written request—Wood, Gundy & Co., Inc., 14 Wall Street, New York 5, N. Y.

Oliphant's Earning Power of Railroads—40th Annual Edition—manual discussing fundamentals of railway finance and operations—cost of the volume, bound in fabrikoid, is five dollars—Jas. H. Oliphant & Co., 61 Broadway, New York 6, N. Y.

American Forging & Socket Company—Analysis of current position and outlook—De Young, Larson & Tornga, Grand Rapids National Bank Building, Grand Rapids, Mich.

Atlanta & West Point Railroad—Circular—Adams & Peck, 63 Wall Street, New York 5, N. Y.

Boston Terminal 3½s of 1947—Analytical report describing reorganization status and proposed plan—**Greene & Co.,** 37 Wall Street, New York 5, N. Y.

Central Railroad of New Jersey Bonds—A study—Newburger & Hano, 39 Broadway, New York 6, N. Y.

Chicago, Milwaukee, St. Paul & Pacific—Memo on reorganization developments—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available a memo of **ICC Monthly Comment on Transportation Statistics.**

Consolidated Cement Corp. Class A—Bulletin on recent developments—**Lerner & Co.,** 10 Post Office Square, Boston 9, Mass.

Also available are circulars on **Central Iron & Steel, Kingan & Co.** and **Riverside Cement.**

Consolidated Electric & Gas Co. preferred and **Central Public Utility Corp.** Income 5½s of 1952—A study—Brailsford & Co., 208 South La Salle Street, Chicago 4, Ill.

The Cross Company—Analysis of condition and post-war prospects—F. H. Koller & Co., Inc., 111 Broadway, New York 6, N. Y.

Also available are analyses of **Liquidometer Corp., Delaware Rayon, New Bedford Rayon,** and **Great American Industries.**

Dunningcolor Corp. common—descriptive circular for dealers only—Bennett, Spanier & Co., Inc., 105 South La Salle St., Chicago 3, Ill.

Dunningcolor—Descriptive circular—J. F. Reilly & Co., 40 Exchange Place, New York 5, N. Y.

Also available is a memorandum on **International Detrola.**

Eastern Corporation—Descriptive memorandum—Buckley Brothers, 1529 Walnut Street, Philadelphia 2, Pennsylvania.

Also available are memoranda on **Standard Stoker** and **E. G. Brooke Iron.**

Elk Horn Coal Corporation and **Lawrence Portland Cement Co.**—Report on attractive possibilities for price appreciation in these two industrials—Morris Cohon & Co., 42 Broadway, New York 4, N. Y.

Franklin Railway Supply Co.—Analysis—W. J. Banigan & Co., 50 Broadway, New York 4, N. Y.

General Industries Co.—Recent report—**Mercier, McDowell & Dolphyn,** Buhl Building, Detroit 26, Mich.

Also available a report on **National Stamping Co.**

Gro-Cord Rubber Company—Statistical memorandum on post-war outlook—Caswell & Co., 120 South La Salle Street, Chicago 3, Ill.

Hajoca Corp.—Circular on interesting possibilities—Hoit, Rose & Troster, 74 Trinity Place, New York 6, N. Y.

Also available is a memorandum on **American Bantam Car** and a new analysis of **Panama Coca-Cola.**

Interstate Co.—analytical study

(Continued on page 642)

SAN FRANCISCO TRADING IN NEW YORK STOCKS

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Give Views on "Full Employment Bill"

M. S. Rosenblatt Replies to Senator Wagner's Letter Requesting Comments on Measure Now Being Considered by Senate Banking and Currency Committee.

M. S. Rosenblatt of the Eimco Corporation, manufacturers of mining and industrial machinery, who received a letter dated May 25 from Senator Robert F. Wagner (D.-N. Y.), Chairman of the Senate Banking and Currency Committee and one of the sponsors of the Dingell-Wagner-Murray bill (S. 380), known as the "Full Employment Bill," has furnished the "Chronicle" with a copy of his reply to Senator Wagner.

We publish below both Senator Wagner's letter and Mr. Rosenblatt's reply:

Mr. Morris A. Rosenblatt,
General Manager,
The Eimco Corporation,
Salt Lake City, Utah.

Dear Mr. Rosenblatt: One of the most important measures before the 79th Congress is the Full Employment Bill of 1945, which (1) provides for continuous appraisal of the over-all economic picture, (2) sets forth the general responsibility of the Federal Government with respect to employment opportunities and the encouragement of private enterprise, and (3) defines the specific responsibilities of the President and the Congress.

This bill has been referred to the Senate Committee on Banking and Currency. Because it represents an attempt to grapple with a problem of fundamental significance to the entire country, the committee will hold public hearings at an early date to obtain the views of all groups on the proposed legislation.

In preparation for these public hearings, the committee is making a careful preliminary study of the bill and its objectives. To assist us in this study, the committee will appreciate your comments on the following questions:

(1) What should be the basic responsibilities of the Federal Government in the maintenance of continuing full employment after the war?

(2) What specific improvements in S. 380 might be considered by the Banking and Currency Committee?

(3) If you believe that S. 380 should not be enacted, what alternative can you suggest?

(4) If S. 380 were to be enacted, could the cooperation between industry, labor, agriculture, Government and other groups which would be essential to the bill's successful operation be obtained?

Your cooperation in helping the committee explore these and other relevant issues you consider important will be greatly appreciated. These comments will be of most use if received by June 15.

Attached is a copy of the bill, S. 380, and of Senator Murray's statement to the Senate upon its introduction.

Sincerely,
(Signed) ROBERT F. WAGNER,
Chairman, Banking and Currency Committee.

MR. ROSENBLATT'S REPLY

June 12, 1945.

Robert F. Wagner,
Chairman, Banking and Currency Committee,
United States Senate,
Washington, D. C.

Dear Senator Wagner: I have your letter of May 25.

The basic responsibility of Government for continuing full employment must of necessity confine itself to the preservation of those rights and freedoms which insure to each and every individual the broadest opportunities for personal attainment. Restrictive measures which, through war or dire emergency, prevent the full exercise of competitive enterprise by individuals or groups of individuals acting as corporations or partnerships should, in the absence of forced conditions, be repealed or condemned by Government. Full employment is but the indicator that our economy is functioning healthfully under a capitalistic or profit system which places the onus of success upon the individual. Labor, thrift, knowledge, ingenuity, singly or in combination, carry proportionate rewards under a Government which guarantees the free exercise of those virtues in an atmosphere of accepted regulations concerning honesty and equal opportunity.

Given this premise any declaration of policy which talks of fostering free competitive enterprise and the rights of employment must find itself admitting their non-existence or appologizing for their cumulative strangulation. To concern itself, however, with a speedy restoration of a normal economy must indeed be the serious responsibility of our Government. The assumption that unemployment can be reduced to a minimum by Government "investment and expenditure designed to contribute to the national wealth and well being" can only be warranted after Government has fully witnessed the free reign of individual enterprise under the most favorable opportunities. Recognition by Government of its duties to support the profit or reward motive as the essential cornerstone in our economic scheme must be evidenced in many ways: For example, our fiscal policy must be so regulated as to reduce taxes so that venture capital may be accrued; our hundreds of regulatory measures which found inception during an emergency must be repealed; purchasing power must be fed through broadening of the profit gap as well as the maintenance of high wages for no employer can retain or increase the number of his employees without a profit on their man-hours of labor; the law of supply and demand must be allowed to function freely with its controls imposed by the cumulative effect brought about by its participants; the process of encouraging the extension of credit must be of paramount importance to Government—regulatory measures in this field to reduce carrying charges, exorbitant rates of interest, etc., can and should be a function of Government. The extension of credit is simply the acceptance of a simple plan for fulfilling the wants of honest men — our last huge period of full employment followed an enormous surge in the extension of credit — every healthy individual may anticipate his needs by pledging a portion of his income. The result can be an endless growing demand for the millions of products an ingenious people can devise.

Beyond the need to restore and preserve the conditions which are most propitious to a successful national economy Government must concern itself with two social factors which insure or guarantee equal opportunity—these are public health and education. These two become the measure of individual enterprise and competitive accomplishment. Government cannot be indifferent to health and education and expect to assist in the maintenance of continuing full employment. In these two fields Government can afford to be extravagant—the returns on expenditures made for health and education give to an aggressive people a growing understanding and appreciation of our democratic system and the problems of "give and take" it involves.

The duties of our legislative and executive branches require no inductive laws as outlined by S. 380; on the contrary, their heaviest responsibility at the moment lies in repeal and legitimate regulation. Given an ideal soil in which individual enterprise may function and grow the volume of employment becomes a tide whose ebb and flow is controlled by the mass effect of millions of private citizens who have earned their right to choose freely the time for periodic idleness, full employment or retirement.

I regret that my thoughts in answering your letter must seem scattered; however, the progressive and liberal motives back of S. 380 have my sincere appreciation and I know that your own profound thinking and that of your associates will in the end bring forth that which is safe and beneficial.

I am, sincerely,
MORRIS S. ROSENBLATT.

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Price Named Trustee of Central Hanover

Gwilym A. Price, Executive Vice-President and director of the Westinghouse Electric Corporation, has been elected a member of the board of trustees of Central Hanover Bank and Trust Company. Mr. Price is well known in banking and financial circles, having been President of the Peoples Pittsburgh Trust Company before joining the Westinghouse organization in 1943.

Gwilym A. Price

Mr. Price went with the Peoples Pittsburgh Trust Company, then the Peoples Saving and Trust Company, in 1923 after several years of law practice. He was made Vice-President in 1930, placed in charge of the trust department in 1937, and became President in 1940 at the age of 44. He was active in banking organizations and served as Chairman of the Public Relations Council of the American Bankers Association in 1943.

In addition to being a director in Westinghouse, Mr. Price holds directorships in the Peoples Pittsburgh Trust Company, Pittsburgh Steel Company, Blaw-Knox Company, South Penn Oil Company, and the National Union Fire Insurance Company.

William R. Ehni With Akin-Lambert Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—William R. Ehni has become associated with Akin-Lambert Co., 639 So. Spring Street. Mr. Ehni was formerly manager of the wholesale and trading departments of the Los Angeles Corporation. Prior thereto he was with Lester & Co., and in the past was head of Ehni & Wood.

Donnell With Hopkins Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Franklin H. Donnell has become associated with Hopkins, Harbach & Co., 609 South Grand Avenue, members of the Los Angeles Stock Exchange. Mr. Donnell was previously with Dean Witter & Co. and Wm. Cavalier & Co.

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NOTE—*From time to time, in this space, there will appear an article which we hope will be of interest to our fellow Americans. This is number ninety-nine of a series.*
SCHENLEY DISTILLERS CORP., NEW YORK

SUGAR!

On our desk we find clippings from newspapers telling of protests here and there, decrying the use of sugar by distilleries for the making of whiskey, "when housewives have received a cut in sugar for essential canning and preserving." And over the radio, too, remarks such as the following have been heard: "Last year 100,250,000 pounds of sugar were made up (by distilleries) to be drunk four years from now."

Now that isn't "cricket," is it—when the real facts are known? And here are the facts. The War Food Administration, the Office of Price Administration and the War Production Board, in a joint statement said: "*No sugar has been allotted for the manufacture of beverage alcohol in connection with the July holiday. No sugar had been allocated for this use during the two past "releases" of distillery facilities, for the production of beverage alcohol.*"

So please remember this; we *do not* use sugar in the manufacture of distilled spirits . . . we use grain. *And it is estimated that, in July, all of the beverage alcohol distillers in the United States will use less than ⅕ of 1% of the total supply of* available *grain.*

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Mellon Group Offers Eastern Assoc. Bonds

A group of 34 underwriters headed by the Mellon Securities Corp. on Aug. 8 offered to the public a new issue of $40,000,000 Eastern Gas and Fuel Associates first mortgage and collateral trust 3½% bonds, due in 1965. The bonds were priced at 102.17 and accrued interest, to yield 3.35% to maturity. The issue was awarded to the Mellon group at competitive sale Aug. 6 on a bid of 100.5599.

Proceeds of this financing will be used, together with treasury funds and the proceeds of a $15,000,000 10-year 2⅛% bank loan, to redeem all of the Association's outstanding first mortgage and collateral trust 4% bonds, Series A, due in 1956.

The bonds will have the benefit of a sinking fund which is calculated to retire 50% of the issue by maturity. They are also redeemable at any time at prices ranging from 105.17% through June 30, 1946, to par, if redeemed in the year ending June 30, 1965.

Giving effect to the present financing the Association will have outstanding the $40,000,000 first mortgage and collateral trust 3½s; the $15,000,000 10-year 2⅛% bank loan; 246,373 shares of 4¼% cumulative prior preference stock ($100 par); 374,138 shares of 6% cumulative preferred ($100 par) and 1,988,400 shares of common stock (no par).

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Chicago Brevities

Marshall Field & Company is understood to have received approximately $17,000,000 for the Merchandise Mart, sold to Joseph P. Kennedy. Together with some company cash, it has been pointed out, proceeds from the sale could be used to retire the company's outstanding funded debt, leaving only the new 4¼% cumulative preferred $100 par stock ahead of the common. Field's management, however, has given no indication as to what use will be made of the funds received from the sale.

Close upon disclosure of the sale came the report of second quarter operating results which pointed to a new sales and profits record for the company this year. Net profit for the three months ended June 30 were $1,224,675, equal after preferred dividend requirements to 55 cents a common share, against $1,071,757, or 44 cents a share, in the corresponding period a year ago.

For the first half of 1945, net income was $2,560,950, or $1.11 a common share, compared with $2,095,091, or 85 cents a share, for the like 1944 period.

* * *

Butler Brothers also reported a substantial increase in net for the first six months of 1945, per share earnings of 58 cents for the first half of the year comparing with 31 cents a share in the corresponding 1944 period. At the same time, the company announced that it has begun an experiment in the ready-to-wear field under the store name "Ruth Barry." The stores will feature women's wear supplied direct from New York.

Butler will open its third Homecrest store soon, T. B. Freeman, President, disclosed. The stores in this group will feature housewares and household appliances in the post-war period.

* * *

General Mills, Inc., is among the latest companies to announce its intention of expanding into the home appliance field.

The disclosure was made in the company's annual report, which showed an increase in consolidated net income for the fiscal or $8.07 a share, from $5,556,912, or $6.69 a share, the year before.

New financing proposed by General Mills includes a three-for-one split of its common stock and the creation of $10,000,000 par value of a new series of convertible preferred.

* * *

The board of directors of Wilson & Co., Inc., has approved a plan of recapitalization of the company's 274,085 outstanding shares of $6 preferred. Stockholders will vote on the proposal at a meeting Sept. 17.

A new preferred will replace the present preferred. While the dividend rate the new issue will carry has not been determined, financial quarters estimate it will be $4.25 or $4.50 a share. On that basis, annual dividend requirements would be cut approximately $520,000 to $582,000. This reduction would make available an indicated 26 cents to 29 cents a share, when and if earned, for the common, of which 2,001,150 shares are now outstanding.

* * *

Cudahy Packing Co., last week, registered with the SEC 100,000 shares of a new $100 par cumulative preferred stock which will be exchanged for the 6 and 7% cumulative preferred stocks now outstanding. The exchange will be made on a share-for-share basis plus a cash adjustment. Shares not needed under the exchange will be sold to a group of underwriters headed by Goldman, Sachs & Co.

* * *

R. R. Donnelly & Sons Co. plans to expand its manufacturing facilities with the erection of a two-story building on a square block of vacant land recently purchased in the vicinity of its present plant.

National Tea has also acquired some 15 acres of land on the outskirts of Chicago for the construction of a multiple-unit warehouse, manufacturing and laboratory building.

Western Electric Co. and Aluminum Company of America have leased additional plant space.

In all, new plant construction and extension on manufacturing facilities, both government and privately financed and including post-war commitments in the Chicago area represented investments of $4,612,500 during July. This brought the total financing of plants for the first seven months of 1945 to $92,058,115 compared with $53,471,416 for the like 1944 period, according to figures released by the industrial department of the Chicago Association of Commerce.

* * *

As a first step in a far-flung post-war expansion program, Goldblatt Brothers, Inc., acquired the Logan Department Store on Chicago's northwest side. The store contains 90,000 square feet of sales space and serves a population of approximately 40,000. This brings the number of department stores in the Goldblatt chain to 15.

* * *

Subject to the approval of stockholders, Utah Radio Products Co. of Chicago, and Universal Cooler Corporation, Marion, Ohio, will be merged into International Detrola Corporation. Commenting on the proposed merger, Utah's President, Fred R. Tuerk, said:

"Detrola long has been a customer for Utah radio parts used in its radio receiver factory in Detroit and a merger could be expected to strengthen this relationship without prejudice to Utah's many thousands of customers in this country and abroad."

Caswell-Runyan, a Utah subsidiary, would provide an additional source for radio cabinets used by Detrola radio division, Mr. Tuerk suggested.

Grimm & Co. Formed In New York City

John Grimm, Irvin Hood and A. J. Morison announce the formation of Grimm & Co., to transact a general investment business with offices at 44 Wall Street, New York City. Messrs. Grimm, Hood and Morison, general partners of the new firm, all were associated with Cohu & Torrey, the former two as general partners, and the latter as head of the syndicate department.

Mr. Grimm has been a member of the financial community since 1909. Prior to his association with Cohu & Torrey he was Executive Vice-President of Leach Brothers, prior to which he was Vice-President in charge of the New York office of Hill, Joiner & Co. For a few years he was associated with the bond department of the Guaranty Trust Company and Guaranty Company of N. Y.

Mr. Morison was proprietor for 11 years of A. J. Morison & Company, and previously was associated with Halsey, Stuart & Company in New York.

Mr. Hood was a partner of Hood & Company and had previously been with Halsey, Stuart & Company and G. L. Ohrstrom & Company, Inc.

Gilbert J. Gordon, who has been acting as Assistant Sales Manager of Cohu & Torrey, and H. Jerome Lamude also will be associated with Grimm & Co.

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Merritt to Serve Stock Exchange Ass'n In Voluntary Capacity

Henry C. Merritt has officially resigned as Vice-President of the Association of Stock Exchange Firms in order to devote his full time to the recently organized Stock Exchange firm of Merritt & LaMorte, in which he is a partner. He will continue, however, to serve the association in a voluntary capacity, particularly in those activities with which he has become most closely identified, such as the speakers' bureau, the group life insurance plan for the benefit of employees of members, and the committee which has for its object the relocation of returning veterans.

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Richard Montanye With Laurence M. Marks Co.

Richard B. Montanye has become associated with Laurence M. Marks & Co., 49 Wall Street, New York City, members of the New York Stock Exchange, in their corporate trading department. Mr. Montanye recently was released from the Army Air Force, in which he served as a Lieutenant. He formerly was with Fitzgerald & Co., Inc., and prior thereto for a number of years was with Newman Bros. & Worms and Dominick & Dominick.

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More Comments on Competitive Bidding

(Continued from page 620)

draw the line? The stigma of offering an issue without bids would not improve one's credit.

If you have a bid of some friendly banker in advance is it fair to trade on his bid? This requirement in government contracts makes necessary constant evasions.

* * *

LEON H. BLOCK

Simon J. Block & Son, Baltimore, Md.

As a small dealer, who owns and operates his own business, I am violently opposed to competitive bidding.

There are two main reasons for my objections to this type of financing. First, it practically eliminates the small dealer as a distributor of new securities and, second, it reduces the profit element to such a degree that even if a small dealer is able to procure a participation in a new issue the risk is not worth the gain.

All the inequities and all the malpractice of the new issue market have been magnified instead of eliminated by competitive bidding. It is almost impossible for a small dealer to do institutional business. Beating the gun is not the exception nowadays, but the rule, and the only issues that a small dealer can procure for sale are those which are so unattractive in either price or quality that he cannot accept them.

I am not speaking of the broad outlines of competitive bidding from either a political, social, or monetary viewpoint. I am only speaking of my own business which is my livelihood and which I have seen severely curtailed by the glossy theories emanating from Washington, many of which are extremely odoriferous when sliced open.

The logical answer that the proponents of competitive bidding would give to this would be—all right, eliminate the small dealer. This is not a very logical answer for me.

* * *

HARRY F. SMITH

Smith, Landeryou & Co., Omaha

I definitely am not in favor of enforced competitive bidding.

Our experience shows that in many cases competitive bidding results in a better price for the securities, but also there are situations where a private deal can be arranged with better results.

There are cases where a company has had a bad record and no one will bid on the securities of such a company without a very complete check. In such situations many investment houses do not care to spend the time and money necessary to check such a company knowing that their chances of getting the bonds are perhaps one in five. However, if they are told that they can have the deal if their price is right, they feel they are warranted in spending the money necessary to make a complete study.

* * *

A SEATTLE DEALER

Our observation and experience of competitive bidding in the case of railroad and public utility securities does not lead us to believe it to be desirable as to industrial issues.

It has been our observation and experience that the development of industrial enterprises is best served by the continued interest and advice of houses which handle their financing. No sense of responsibility can exist toward an industrial institution which, from choice or by force of law, shops around the street. The same rule applies in such financing, as applies to the individual who finds himself best served by doing most of his business in one place where his needs are understood and a real interest in his welfare has been developed.

Change in Partners

Herbert D. Smith retired from partnership in Gamwell & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, as of July 31.

SEC Hearing Postponed

The hearing on broker-dealer revocation proceedings instituted against Ira Haupt & Co. of New York has been postponed by the Securities and Exchange Commission from Aug. 1 to Oct. 8.

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Form Nehring & Ricketts

(Special to THE FINANCIAL CHRONICLE)

ELGIN, ILL.—Harley Albert Nehring and Lawrence E. Ricketts have formed Nehring & Ricketts with offices at 4 South Grove Avenue to conduct an investment business. Both were previously with Heath & Co., Inc.

Paul E. Conrads Opens Own Investment Firm

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, ILL. — Paul E. Conrads has formed Conrads & Co. with offices at 321 West State Street, to engage in a securities business. Mr. Conrads was formerly a partner in King & Conrads. Associated with him in his new firm will be Robert Bargren, George F. Jilbert and Daniel I. Smith, all previously with King & Conrads.

King & Company to Act As Investment Dealers

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, ILL. — Joseph D. King, member of the Chicago Board of Trade, and Mrs. Lelia King, have formed King & Co., with offices at 321 West State St. Both were previously partners in King & Conrads. Recently Mr. King has been Rockford manager for Faroll & Co.

Jay Stanley Forms Own Investment Co. in Gary

(Special to THE FINANCIAL CHRONICLE)

GARY, IND.—Jay Stanley has formed Jay Stanley & Co., with offices in the Gary National Bank Building, to conduct a general investment business. Mr. Stanley was formerly associated with Otis & Co. in Chicago. Prior thereto he was with the U. S. Treasury Department in Chicago.

C. W. Peters Dies

Claude W. Peters, partner in Hayden, Stone & Co., members of the New York Stock Exchange, died at his home at the age of 69. Mr. Peters began his career with the Bank of Montreal at St. Johns, N. F., later working in the institution's offices in Chicago and New York. He joined Hayden, Stone & Co. in 1910, becoming a partner in 1916.

RECONVERSION and the
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Our recent study on this subject, which also contains some suggested issues for the immediate and longer term, is available on request.

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Wisconsin Brevities

As of June 30, 1945 the net asset value of the Wisconsin Investment Co. stock was $4.08 per share. The latter compares with a net asset value of $3.63 per share reported on December 31, 1944, and represents an increase of 12.40%. Giving effect to dividend of 8 cents per share paid on June 30, 1945, the appreciation realized in the net asset value of the stock is 53 cents per share of 14.60%.

Net profit on sale of securities of $94,696 was realized during the six months ended June 30, 1945. This sum, less a provision of $13,200 for estimated taxes, was transferred directly to earned surplus and does not appear in the income statement. For the same period the company reported a net earned income of $19,036 from dividends and interest. Total dividends paid during the half year amounted to $34,908 (8 cents per share).

* * *

The Kimberly Clark Corp. for the six months ended June 30 reported net sales of $28,765,417 as against $31.301,494 for the same period of 1944 and net profit of $1,168,039 or $1.95 per common share compared with $1,047,220 or $1.75 per share for the 1944 period based on 599,760 shares now outstanding.

For the twelve months ended June 30, 1945 the net profit was $2,474,710 or $3.29 a common share against $2,700,452 or $3.51 per share in 1944.

* * *

Froedert Grain & Malting Co., Inc. for the fiscal year ended July 31, 1945, earned approximately $2.10 per share compared with $1.76 in the 1944 fiscal year.

The average earnings per share for the years 1942 to 1945 inclusive was $1.86 per share.

For the six months ended June 30, 1945, the Harnischfeger Corp. and its subsidiary reported a gross profit of $5,062,131 and a net income after taxes of $247,298 before adding a transfer of $81,000 from contingent reserve which brings the total to $328,298.

Current assets as of June 30, 1945 were $10,987,136 and current liabilities $6,200,260.

* * *

Hamilton Manufacturing Co. of Two Rivers, Wis., reports for the six months ended June 16, 1945, earnings before dividends amounting to $156,891. This is after providing for all expenses, depreciation, interest on indebtedness, taxes and contingencies, including possible renegotiation of profits. This compares with $153,180 for the first six months of 1944 and $230,407 earned during the year 1944. Sales amounted to $4,103,436 for the first half of 1945 compared with $3,336,846 for the first half of 1944.

State of the Market

Anyone who has ever looked at a chart of the stock market knows that fluctuations are its essential characteristic. So we find nothing particularly surprising or shocking in the fact that it has receded 5% from its recent highs. Indeed, should it still be holding around the 160 Dow-Jones level by the time this letter is reaching readers, a remarkable exhibition of underlying strength will have been given. For the decline commenced at a time when much of Wall Street was "technically bearish," and was accelerated by the shift in sentiment regarding the duration of the war and by the British elections. Discounting of the last-named factor may well have been the prime-mover, for I. T. & T. was one of the first of the leading speculative stocks to evidence unexplained heaviness.

Dow theorists are talking a "full correction" to the 150 level. Judging from the action of the market itself and because of what we think are fundamental bullish factors, we think this is improbable. And the persistent buying of such peace issues as the motors and building shares gives a clue to the probability that V-J Day will find the market acting as contrary to expectations as it did on D-Day.

Least of all do we think that the bull market has reached its peak and that a long recession has commenced. One safety factor in the market has been that investors and speculators alike, although both cursed with notably short memories, recall all too vividly the sudden collapses of 1929 and 1937 and have treated the market with a good deal of healthy caution. An example of the fear psychosis may be seen in the July "Reader's Digest" wherein Miss Sylvia Porter, much publicized financial columnist of the New York "Post," writes: "Are We Going to Be Stock Market Suckers Again?"

Eventually a good many people owning stocks are going to be burned again. But we certainly cannot agree with Miss Porter that "The public is back in Wall Street on a scale not seen for 16 years. . . . The situation is at the danger point." The Porter portents do not seem to us particularly significant. "Prices of New York Stock Exchange seats have quadrupled from the war's low mark," she cries. She neglects to state that they are still over $100,000 lower than the 1936 high. She sees cause for alarm in the fact that "Every month, brokers are opening new branch offices through the country." The facts reveal that on June 1, 1945, there were 815 branch offices, against 891 on June 1, 1941, when there was hardly any reason to think the public was rushing to buy stocks, and against 1,222 June 1, 1937. There is ample evidence that the public is again becoming interested in stocks, but we find little evidence of the irrational attitude that spells "boom and bust." — From Washington Dodge's Letter issued by Roberts & Co.

The Future of Municipal Bonds

(Continued from page 619)

141.4, with an average yield to maturity of 1.58%; the average price of the high-grade corporates on July 25, 1945, was 120.9, and the Dow-Jones Industrial Stock Table 1 shows the municipal Average on that date was 163.44. bond prices weekly from January to August, 1945.

Court Decision Important

A powerful factor in the advance this spring in municipal bond prices was the refusal of the U. S. Supreme Court to intervene in the Port of New York Authority and Triborough Bridge Authority cases. Translated into layman language, this decision, in effect, affirmed the decision of the lower courts that interest on such bonds is exempt from Federal taxation. While the decision directly involved the two issues cited, it applied indirectly to all municipal and State bonds, and it brought to a conclusion—temporarily at least—the attempt of the Treasury to subject such interest, as well as that of direct obligation bonds, to Federal taxation.

We use the adverb "temporarily" advisedly, for it is possible that Congress may determine that, in view of the Federal Government's revenue needs, there is less validity in continuing in the future the tax-exempt feature of new issues of such bonds. Legislation (the Carlson bill) is pending in Congress, in fact, which if enacted would eliminate tax exemption from utility revenue bonds after Jan. 1, 1945, but this is merely a slight narrowing of the field; and a recent Ohio Supreme Court decision significantly held that Cleveland's municipally-owned street railway's property is taxable.

Table 1
MUNICIPAL BONDS
(Dollars per $100 bond)

1945—	1st Week	2nd Week	3rd Week	4th Week	5th Week	Average
January	135.8	136.2	136.6	137.0	137.4	136.6
February	137.6	137.8	139.5	139.9		138.7
March	140.1	140.7	141.2	140.9		140.7
April	141.4	141.4	141.4	142.2		141.6
May	142.2	142.2	141.2	140.3	140.7	141.3
June	141.2	141.4	141.6	141.6		141.5
July	141.6	141.6	141.6	141.4	140.9	141.4

Recent Reaction

After reaching the new high of 142.2 early in May, 1945, municipal bonds reacted somewhat, apparently on account of fears that Federal income taxes might be reduced following V-E Day. As time went on it was discerned that such apprehension was virtually groundless, and on passage (July 20) of the Doughton bill, which was chiefly concerned with raising the excess profits tax exemption from $10,000 to $25,000 and otherwise assisting reconversion without tackling the main problem of tax reduction at all, prices of municipals, which had begun to improve, recovered further. We believe this upward trend has almost reached the top for years to come.

Interest Rates

With money rates having steadily declined for a long time, Government and municipal bonds are now at all-time high levels. It appears that the Government's requirement for new capital and for refunding will continue after V-J Day. Until we reach a point where we have a declining trend in new government capital requirements plus an increasing demand for capital by industry to finance post-war prosperity, we are unlikely to see a reversal of existing low rates—but it seems inevitable that this condition will eventually prevail. Any material increase in interest rates would of course mean a decline in municipal bond prices.

Ownership

Table 2 shows a break-down of ownership of municipal and State bonds over the eight years, 1937 to 1944, inclusive. It is noteworthy that the total of such bonds outstanding declined from a high in 1940 and 1941 of $20 billions to $17.3 billions at the end of 1944. By June 30, 1945, the figure had declined to $16.5 billions.

It is interesting to observe, as shown in Table 2, the decline in ownership of municipals on the part of insurance companies, corporations, savings banks and Federal, State and local governments, and the increase among commercial banks and individual holders. Even with some eventual reduction in Federal taxes, the new alignment in ownership which is thus indicated is likely to continue. Individuals, including estates and trusts, now hold about 45% of all outstanding municipal bonds.

Taxes

Municipal bond prices are, of course, bound almost inseparably to taxes. Primary security is based on tax receipts, and price trend is frequently dependent upon the feature of exemption from Federal taxes. While municipals from the nature of things cannot be safer than Government bonds, and nevertheless give a smaller yield, the tax-exempt feature appeals to investors in the tax bracket of about $25,000 upwards.

While much is said and written regarding hopes for tax relief, as a practical matter the realistic viewpoint is that taxes in the post-war period will remain well above pre-war levels, although well below wartime peaks. If this belief is well-founded, municipals despite their extremely low yields should continue to have a strong appeal for investors in the higher income brackets even though such bonds may be vulnerable pricewise. Assuming that there will be some tax reduction after the war, probably the change in the middle and even the high brackets will not be very great.

Table No. 3 compares rates (regular and surtax combined) on the $25,000 and $50,000 brackets and peak rates now with those of 1939 and 1942. Even if the 1942 rates were restored, a 1.50% tax-exempt return would continue to be the equivalent of 3.57% on a taxable security for those with annual incomes of $25,000, and for those individuals receiving $50,000 an equivalent return would be 5.36%.

Table 2
OWNERSHIP OF STATE AND MUNICIPAL BONDS
(United States Treasury Department estimates in billions of dollars rounded to nearest tenth of a billion)

	1937	1938	1939	1940	1941	1942	1943	1944
Commercial banks	$2.8	$2.8	$3.2	$3.6	$3.7	$3.6	$3.5	$3.5
Insurance companies	1.8	1.9	2.0	2.1	2.1	2.0	1.7	1.4
Corporations and miscellaneous tax-exempt institutions	1.1	1.1	1.3	1.2	1.1	1.1	.9	.8
Mutual savings banks	.8	.7	.6	.6	.5	.4	.2	.2
Federal, State and local government funds	4.3	4.5	4.5	4.5	4.8	4.9	4.5	3.9
Individuals (including private estates and trusts)	8.5	8.3	8.2	7.9	7.8	7.5	7.7	7.5
Total	$19.3	$19.3	$19.8	$20.0	$20.0	$19.5	$18.5	$17.3

Table 3
FEDERAL RATES ON INDIVIDUAL INCOME TAXES

Tax Bracket	1939 Rate	1942 Rate	1945 Rate
$25,000	21%	58%	62%
50,000	35%	72%	78%
*Highest	79%	88%	94%

*$200,000 up, except 1939, which was $5,000,000 up.

Volume of Financing

A reasonable estimate of the probable annual increase in the supply of tax-exempt bonds would be about $900 million on which basis four years would be required to restore the total municipal and State outstanding debt to the $20 billion level prevailing in 1940 and 1941.

Undoubtedly many municipalities, with the advent of peace, will be obliged to make extensive capital expenditures over a period of years for the construction of roads, schools, and other public buildings, together with many other items including buses, fire engines, pumps, etc., which now show signs of wear and obsolescence due to wartime conditions that have limited expenditures to indispensable replacements, or are needed additionally. With a post-war increase in the supply of municipal bonds, prices are more likely to decline than to advance, with consequent improvement in yields. A post-war glut of municipals, in fact, is a distinct possibility. Such a condition would once more emphasize the paramount necessity for selectivity in making commitments.

General

The history of modern municipal finance, so far as it involves the creation and repayment of public indebtedness, begins with the assumption in 1790 by the Federal Government of the State debts incurred in carrying on the War for Independence. Municipal bonds outstanding have shown phenomenal growth in recent years—from $4.3 billions in 1915 to $20 billions in 1940-41. There are upwards of 275,000 States, municipalities and other political subdivisions of the United States possessing the power to pledge their credit in the issuance of bonds, and 180,000 governmental units with authority to levy taxes, according to the Department of Commerce.

Conclusion

A consideration of all factors involved leads us to the conclusion that municipal bond prices are close to their highs for years to come and that the longer term trend to follow will be gradually downward.—(Reprinted from the Aug. 2, 1945, issue of "Investment Timing," published by the Economics & Investment Department of the National Securities & Research Corporation, New York, N. Y.)

Morgan Stanley Offers Manville Unsold Shares

Morgan Stanley & Co. and Associates are offering the unsold portion of the 170,000 shares of 3½% cumulative preferred stock (par $100) of Johns-Manville Corp. at $100 per share. Stockholders of record of July 21 of the Johns-Manville Corp. were given the right to subscribe to the stock in the ratio of 1/5th of a share of 3½% preferred stock for each common share held. Rights expired Aug. 4. A total of 163,162 shares was subscribed for, leaving only 6,838 shares to be taken up by the underwriters.

The new preferred stock is convertible prior to Aug. 1, 1955 in common shares initially at the rate of one share of common for each share of preferred stock so converted and payment by the holders of $15 with respect to each share of preferred stock surrendered. The proceeds of the issue are to be added to the resources of the company.

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Asks End of Sterling Bloc for India

A. D. Shroff, Member of India Trade Commission and Bretton Woods Delegate, Tells N. Y. Board of Trade India's £1 Billion Balance in London Cannot Be Used for Purchases Here. Resolution Approved to Demand British Permit Free Trade With "Sterling Bloc" Countries.

At a meeting of the International section of the New York Board of Trade at its offices in New York City, on Aug. 3, A. D. Shroff, director of Tata Sons, Ltd., of Bombay and a Bretton Woods delegate who is heading an Indian trade delegation visiting this country, told the foreign trade representatives present that his country was prevented from purchasing American goods because of the blocked balance of £1,000,000,000 of India's funds held in London. India, said Mr. Shroff, is greatly in need of American machinery and equipment for its program of industrial expansion. It is planned to increase textiles output alone by 50% and in addition there are projects for a number of hydro-electric developments.

"This," Mr. Shroff pointed out, "means the need for large amounts of textile machinery, power equipment and manufacturing appliances." "There is," he added, "accordingly a great opportunity for United States manufacturers." He warned, however, that "although we are impressed with your products we are baffled by your prices, which are too high." He urged producers of textile machinery to adapt their equipment more to the types suitable to India.

"Some machinery," he stated, "should be made which would require a man for eight or ten machines rather than for the large numbers the producer has for American mills. We don't need the expensive and finely-cut steel tools which your plants turn out. If you sell us tools made from lower-quality steels they might appeal to India purchasers. Unless prices are reduced we will be unable to do business with the United States in certain lines."

Mr. Shroff mentioned three factors that stand in the way of larger American exports to India. These are (1) the operations of the British dollar pool which at present limits Indian payments to the United States to $20,000,000 annually; (2) the high-price level of American products such as machine tools, and (3) producers of textile machinery in this country are unwilling to adapt their products to India's special requirements.

Following Mr. Shroff's talk, a resolution was passed by the members of the Board of Trade present, that a committee be appointed to request the State Department to request Great Britain to relax its sterling bloc restrictions and to allow sterling bloc countries to have "free dollars" for trade with the United States. One member even suggested that as a retaliatory measure the United States set up a "Dollar Area" similar to the "Sterling Area."

Truman Signs Charter Approval Act

President Truman, on Aug. 8, less than 24 hours after his arrival in Washington, affixed his signature to the Senate's act of approval of the United Nations Charter, thus formally ratifying the document as a treaty of the United States. This country is therefore the first of the major powers to formally ratify the document, which provides a constitution for a United Nations organization.

The ratification took place in the executive offices of the White House in the presence of Secretary of State James F. Byrnes, when each, in addition to signing their names to the one-page Senate act of approval, also affixed their names to the full text of the Charter. The documents were then placed in the archives of the State Department, to await further formal action, when, after the requisite number of the powers assent thereto, the powers can implement the United Nations organizatiton.

Business Man's Bookshelf

Oliphant's Earning Power of Railroads—40th Annual Edition—Fundamentals of railway finance and operations—Jas. H. Oliphant & Co., 61 Broadway, New York 6, N. Y.—Fabrickoid—$5.00

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Railroad Securities

Texas & Pacific Common Stock

Ability of Texas & Pacific to refund its junior 5s with a 3⅞% series "E" issue, sold at 100½, centers interest in the equity, controlled by MOP. Investors who can afford the ownrship risk inherent in a minority stock—MOP owns 100% of the 237,030 shares of 5% non-cumulative preferred (voting) and 59.2% of the 229,500 shares of common (74.7% voting control on combined stocks)—may find this an interesting situation.

Texas & Pacific is the only major subsidiary in the MOP system which avoided a Section 77 reorganization. It is an integral portion of the System, extending westward and eastward from the Texarkana and Longview gateways (points where interchange with MOP and IGN is effected) to El Paso and New Orleans. Since, following the MOP reorganization, tax advantages would doubtless accrue were 100% ownership of Texas & Pacific acquired, thereby permitting consolidation of accounts, ultimate acquisition of the remaining 40.8% is a reasonable expectation.

Texas & Pacific is a very efficient property. As pointed out in its recent bond prospectus, gross ton miles per freight train hour increased from 16,183 in 1924 to 25,576 in 1934; 39,149 in 1940; and 40,793 in 1944. This road has consistently ranked high among Class I railways, showing the lowest ratios of transportation expenses to operating revenues. In 1940 its rank among the 44 largest Class I railways (based on ICC reports) was number 8; in 1941, 8; in 1942, 10; in 1943, 6, and in 1944, continuing the improvement of recent years, number 5. Index of gross revenues and of transportation expenses also confirm the above findings, both indices far exceeding those of Class I carriers.

These statistics reflect maintenance expenditures of some $97.6 million in the period 1937-44, equivalent to $60,300 per equated track mile, and gross capital expenditures of $19.4 million, equivalent to $11,990 per equated track mile.

Debt reduction of this carrier has virtually kept pace with its improvement in operating efficiency. From 1937 to 1944 $11.7 million of debt was retired, which when added to improvement of working capital in this period of $18.5 million, amounted to 37.7% of its funded debt as of Dec. 31, 1936. This was a higher ratio than for other large solvent systems, Norfolk & Western excepted.

Total debt outstanding as of Aug. 1, 1945, giving effect to use of Treasury funds in connection with recent refunding will total $65,383,000 as follows:

Equipment trust certificates	$1,570,000
1st 5s, 2000	24,363,000
Gen. & ref. 3⅞s, 1985	39,000,000
Texarkana Un. Sta. ctfs., 1957	450,000
	$65,383,000
5% non-cum. pfd.—237,030 sh.	23,703,000
$100 par common—387,550 sh.	38,755,000
Total capitalization	$127,841,000

Interest charges on the $65.3 million debt will average $2,794,101 on an annual basis and estimated fixed charges will be approximately $2,804,000. Such charges would compare with $4,274,360 paid out as recently as in 1931, a reduction of $1.47 million, or of almost 35%, sufficient to cover annual preferred dividend requirements of $1,185,150.

Gross revenues have risen sharply, reflecting the war, from an average of $26 million in the late 30s to a peak of $80 million in 1944. Net available for charges rose from some $5.5 million to $7.4 million in 1941, $12.8 million in 1942 (peak), $9.8 million in 1943 and $7.3 million in 1944. Because of tax credits arising from new financing, full year's results in 1945 should equal those of 1944, despite a decline from $2.90 to $2.44 million in the first four months of this year as compared with the corresponding period a year ago. Applying the new estimated fixed charges against earnings as reported since 1935, making no adjustments for increased taxes and after deduction of dividend requirements on the preferred, despite its noncumulative provision, per share earnings on the common ranged from $2.25 to $6.10 (period 1935-40) and from $8.42 to $22.58 (1941-44).

Working capital is strong, standing at $17,907,000 as of April 30, 1945. Not included in working capital figures is an item, maintenance fund, of $6,303,000 all invested in short-term Governments, as well as a post-war excess profits tax refund of $735,000. Management has set up a maintenance fund of this size, believing it can be accomplished not only more effectively, but also more economically, at a later date, when labor and materials are more plentiful.

Taxes of Texas & Pacific have risen sharply, from less than a $2 million average in the late 30s to

(Continued on page 630)

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Downey to Manage Union Securities Dept.

Union Securities Corporation, 65 Broadway, New York City, announces that Norman S. Downey has become associated with them as Manager of their Municipal Bond Department.

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Finances in Wonderland

(Continued from first page)

behind, but they limp well: factory payrolls went up three-and-a-half fold, thanks to the doubling of the workers' income and to a vast increase in their numbers. Cash farm income has nearly trebled. For the country as a whole, the dream of full employment has been accomplished; real estate and equity values, corporate working capital, and per capita national income have doubled. They all continue to rise. In view of all of this, it is remarkable that retail prices have been kept officially at about 30% (actually probably 50%) above the 1939 level. Taking the rise in living costs and taxes into consideration, the real income of American employees and farmers — roughly 85% of the population—is probably about 50% higher than before the war. Accordingly, their equipment with semi-durable goods and especially their "liquidity"—their cash savings minus their own debts—have been tremendously improved.

In other words, we are spending some $300-odd billions on an economically unproductive purpose, almost half of it taken out of the taxpayer's hide, but by and large—over the war period as a whole—the nation is better supplied with food, clothing, entertainment, social security, and especially with money, than ever before. The only major suffering (other than hardships arising from military service) consists in some restriction of dietary choices and in the limited possibility to drive around. We expect soon to make up with compound interest for what we miss now, such as new durable goods. We also expect to be guaranteed against a prolonged mass-unemployment after the war. In short, the more we "waste", the richer we become and the rosier our future looks, contrary to all experience of the past and to all tenets of sound economics. This is, undoubtedly, the greatest miracle of economic history.

Will It Last?

How long will the miracle last? There is a good chance that the bubble will not burst before the war with Japan ends. That in turn may take some time. Bombing of cities alone without physical invasion does not end the war, as shown in Germany. The invasion of a country like Japan, bristling with arms, stocked up with raw materials, and the factories dispersed over remote areas, should be far more difficult than was that of the Continent. Fantastic volumes of manpower, tonnage, and supplies will have to be thrown in from a distance of thousands of miles. Military authorities estimate that it will take a year before the full-fledged Anglo-American power is assembled in the Pacific. The same holds for assembling the Russian power against Manchuria, provided the Soviets enter the war at all. There remain two possibilities: Japanese surrender, or a mediated peace. But apparettly we prefer so far to suffer additional casualties by the hundreds of thousands rather than to accept mediation, and the Japs seem to prefer to fight on rather than to accept the blotting out of their national existence — the meaning of unconditional surrender as in the case of Germany.

Of course, surprising changes may occur on the one side or the other, but there is little in the cards that would indicate at present a sudden ending of the war. If that is correct, monthly expenditures of the Federal government will not fall in the coming fiscal year much more than from $7 to $6 billions or so. That decline could not materially affect the process of monetary inflation. For one thing, only about 1½ million men are supposed to be demobilized. True, the shift to peace-time production is bound to be somewhat slow because of lack of balance between permissible production quotas on the one hand and materials with which to produce on the other. Varied factors easily may compensate for whatever decline in employment will occur, by opening up new channels of public and private spending. Exports to liberated and neutral countries in growing volumes are one item of this offsetting kind. Bonuses to returning soldiers and generous doles to idle workers are another. Artificial shortages created by labor unrest might well offset surpluses due to the 35% decline of war orders as planned for the next 10 months. Where consumers' income should ebb, the spending of cash savings might make up for it. The liquidation of war-time commercial loans might be overcompensated by the spreading of RFC and DRCC guaranteed "small business" loans, the piecemeal rise of new mortgage credits, by bigger and better farm and other subsidies, new wage concessions to powerful unions, and so forth.

V-J Day, if it does not arrive before 1946, will find reconversion well under way. Transition to peace-time production then will be a fairly smooth process, with its pains rapidly disappearing as the entrepreneurs will know where to find materials and labor. Even if consumer-spending should not inundate the markets at once, reconversion itself will provide a great deal of employment, financed by the cash funds of the corporations, by the RFC guaranteed credits mentioned above, by tax refunds and carry-backs, by the sale of new corporate securities to the public—through all the channels made available by the war-time flood of money and its continuation. And some amount of explosive consumer spending is the more imminent since in the meantime cash savings will have increased and inventories decreased further. The pressure for disbursing savings will grow in accordance with the combination of swelling pocketbooks and emptying shelves.

Even so, some amount of "recession" at or shortly after the war terminatiton would be unavoidable—in an unfettered competitive economy. The change from a military to a normal economy, from orders flowing in a quasi-automatic fashion, nothing to worry about, to orders available only by readjustment and strenuous competition, cannot take place without jolts and shocks. Price reactions due to overstocked raw materials, sale of surplus goods and other disappointments, might aggravate the situation.

Such a short depression would be a godsend to clean up the budgetary mess, to bring the price and cost levels back to a sound basis, to make the public refrain from wild spending, and in general to stop the threatening inflationary spiral. It would be short and comparatively mild, because the vast volume of accumulated purchasing power, together with the equally vast accumulation of pent-up demands at home, plus the almost insatiable foreign demand, could not help but start soon a new upturn. But obviously, there is no political intention in this country to permit even a modest recession to occur. Instead of waiting for a balanced growth—the balance of which is doubtful anyway in view of the inflated monetary structure—we are fully prepared to eliminate even a temporary jolt by a program of reducing taxes (back to the pre-war level), by the maintenance of large military expenditures, by public works and other disbursements of fresh money on a scale to stifle every decline at the inception. The combined effect of stimulating consumers' expenditures and entrepreneurial activity cannot fail to carry the country quickly from the wartime inflation of employment into its peace-time equivalent.

The High Plateau

This is the theory of the High Plateau in permanance: that prices, national income, and employment should be maintained approximately at or near the war-time level. It is the idea of Eternal Prosperity that swept the country in the late '20s, based in those days on an allegedly inexhaustible credit supply, and based at present on the inexhaustible money-creating powers of the government. That's all there is to such rationalizations as "fiscal policy to maintain full employmen," "balancing the budget over the cycle,'' to "compensatory spending," "planned free economy," "controlled inflation," to all current monetary theoretizing **a la** Keynes: that by printing ever new purchasing power one can keep the boom going—forever.

But can money creation proceed incessantly without causing a serious price inflation? To overcome depression is one thing; to avoid inflation, quite another.

The trouble with the "evened out" High Plateau is that it cannot stay "even." It has to go up or down; ultimately, it goes down. It feeds on monetary inflation and rising prices, both of which must be stopped at some point. When they stop, a deep reaction **must** set in.

Basic Disequilibrium

What the High Plateau theory overlooks is, in the first place, that money once issued stays with us for good. Commodities are used up; their values, at any rate, tend to decline as soon as they change hands. Money is neither used up, nor is its value affected by circulation. Each year's "crop" of dollars adds that much to the total amount of potential purchasing power carried over into the following years. There are only two ways to escape this inexorable fact: if the dollars are taxed away; or if they are created as loans of a short-term, self-liquidating type. The one way would mean deflation and depression; the other would limit the extension of new credits to almost zero, drying up the supply of fresh money. Fresh money, in quantities, can come only through channels which do not imply quick liquidation — which permit purchasing power to pile up **ad libitum.**

That's why the idea that one can "out-produce" inflation is preposterous. The output of goods in any single period can never exceed what the country is able to produce at full capacity operation during the same period (except by the volume of imports, in turn exceeded, however, by the volume of exports). The inflated purchasing power can be "out-produced" only if it is either not used—if it stays dormant—or if it is merely used as a substitute for current income. But the latter case presupposes a deflation of incomes which is exactly what we are avoiding by their continued inflation; and the former presupposes that normal people who are in possession of excessive cash reserves and of regular incomes should refrain from acting normally, that is, from dishoarding part of their reserves to buy capital goods or other enjoyments. If they do act as usual, then the war-time accumulation of savings will be followed by their reduction, and dollars will appear on the markets which have no counterpart in products. They will affect prices just as dollar notes falling from the moon and spent on the spot would affect them.

The Limits of Control

In short, a fundamental disequilibrium between the effective demand for goods and their supply is in store — unless radical measures are taken to control the demand. Police measures, i.e., price-fixing and rationing, will not do, except in special fields in which evasion is difficult, such as rent control, and even there only in a temporary fashion. Nor will a "qualitative" or selective credit control do: freezing of the real estate and stock markets by sharply increased capital gains taxes, raising of margin requirements on mortgages and brokers' loans, restriction or prohibition of instalment credits (which would drive the needy consumer into the arms of uncontrolled usurers), etc., solve the problem only if they are applied in strong doses and in every field, including the borrowing by the government itself—if they cure inflation by causing a deflation.

Price control and rationing work only so long as the public refrains from competing for goods by offering higher prices. As to selective credit controls, they are ineffective when a vast accumulation of money exists, and when in addition new money is being pumped into the circulation. If they work at all, they merely drive the excess purchasing power from one channel of spending into another. There is no way to restore the market equilibrium unless either by radically cutting down the monetary volume, which would mean depression, or else by letting prices rise. Indeed, it is generally assumed that prices after the war, disregarding a short interruption, will stay high and may rise somewhat further. But they are then supposed to stay put.

The High Plateau is understood presently as one of fairly high prices, at any rate substantially above the pre-war level. That much is conceded even by the economists of New Deal leanings, disregarding the pure charlatans. But the problem is, or will be, to "hold the line" of prices that is supposed to establish itself after the war, and not to let it get out of hand.

Automatic Stabilization?

Couldn't that be accomplished in a quasi-automatic fashion — relying on the inflated money itself to protect us against major price-inflation? Here is how such a piece of magic is supposed to work:

Once post-war conditions are stabilized to the extent that reconversion and depression fears are overcome, and production to meet the consumers' wishes is well under way, the disbursement of accumulated cash savings will be in full swing. That means that the dormant money will become active—its velocity of circulation will rise. One dollar will do the work of two or three or four, and consequently there will be less need for dollars. Public spending can then be restrained, and there will be no more necessity for governmental fostering of private credits either. If so, the quantity of money can be kept stable; the job of maintaining and raising prosperity can be left to a more or less self-adjusting process of rising monetary velocity. As a matter of fact (as this rationalization proceeds) continued prosperity should even permit the monetary volume to be reduced gradually by repurchasing some of the outstanding short-term debt. At any rate, a reasonably perfect and permanent stabilization of the monetary volume, of prices, and of full employment should be the outcome.

This implies several fallacies. In the first place, a higher (rising) rate of turnover of the average dollar embodied in notes and bank deposits is no protection against an increase in the number of dollars. On the contrary! The magical process actually presupposes that war bonds are cashed in, thus greatly increasing the volume of circulating media. Moreover, a rising monetary velocity is accompanied naturally by a rising monetary volume: as more purchases are made and trade is stimulated, credit facilities tend to open up (at rising interest rates). As it is, the banks expand their commercial loans already. But the worst of it all is that the increasing monetary velocity itself invariably creates the same effects as an increasing monetary volume. It means simply that accumulated savings are disbursed on the markets and add accordingly to the amount of effective demand, thereby raising prices. Rising prices in turn are bound to stimulate more disbursement—further increase in the velocity of circulation — and still higher prices. The vicious mechanism of a run-away inflation is set in motion.

Totalitarian Liberals in Finance

Small wonder that the worry about a serious post-war inflation is making progress even among the financial "liberals." Their ultimate refuge is, however, in their belief in management.

By proper management, by inflating one week and deflating the next, as the case may be, the price structure could be kept supposedly at an even keel, as the speed of a car is controlled by the amount of gas fed to the motor. That, of course, brings us back to the basic error of judgment discussed above: the neglect of the fact that while the gas fed to the motor is consumed, the money fed to the economy stays. It is like feeding a motor with an indestructible fuel that would have to be pumped out of the tank each time after being used, so as to avoid a conflagration. Pumping the money out of the economy is deflation, and it would cause a crisis each time because a deflation of the highly geared monetary volume creates price repercussions and psychological disappointments, which add up to a depression.

A monetary control that inflates and deflates at will is typical of Soviet Russian financial policy. It is essential for totalitarianism as a fundamental method of controlling the economy. It is incompatible with economic freedom and with the ideal of stability. But it appeals to the imagination of our totalitarian Liberals (or liberal Totalitarians), and we may live to see experiments along their lines.

Railroad Securities

(Continued from page 629)

$19.7 million in 1943 and $24.9 million in 1944. Federal income taxes alone reached $16.83 and $21.82 million in 1943 and 1944, equivalent to over $40 and $50 per share of common, respectively. This heavy tax burden provides an excellent cushion against the inevitable decline in both gross and net earnings in the reconversion period.

Post-war we envisage gross revenues of between $45 and $50 million with earnings on the common of between $5 and $7 per share. Such earning power, if realized, would make possible an increase over the 1% rate distributed in each of the past three years, especially as refunding will already have been accomplished and finances are strong. Among the more speculative secondary equities, Texas & Pacific has much to commend it, and its speculative purchase is recommended.

H. P. Wells Returns to Desk After War Service

JERSEY CITY, N. J.—Lt. Commander H. Prescott Wells, USNR, of the firm of Outwater & Wells, 15 Exchange Place, has returned to his former business after an absence of three years in the armed services.

CANADA
at
WAR

Recapitulation Issue

This booklet, published by the Canadian Wartime Information Board, presents statistical and factual recapitulation of the Canadian war effort. It endeavors to portray the mobilization of resources, human and material, which enabled the nation to make a worthy contribution to victory in Europe.

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OUR REPORTER'S REPORT

The current week, with its $58,000,000 of new corporate offerings, is likely to prove the high point for the month of August, in the opinion of those who keep closely in touch with the situation in the investment market.

Observers were satisfied that this month, coming in the wake of an unusually active July, would prove relatively dull, what with the rank and file seeking to get away for a couple of weeks of rest.

But added to such considerations there is now the mounting belief that with the tempo of our attack being stepped up severely in the Pacific, Japan may see the light and agree to unconditional surrender suddenly. News of the new atomic bomb and its potentialities, now coming to hand, tended to bulwark such expectations.

Accordingly those whose business is the underwriting of new securities are prone to recognize the fact that such a development would upset things, at least temporarily, and perhaps call for a resurvey of the overall picture.

They are aware that industry must be financed and that plans for expansion in the post-war period assure ample business in the months ahead. But they are not willing to overlook the fact that cessation of hostilities would cause potential issuers to hesitate and take stock of the situation before going ahead with such programs.

Accordingly with this week's three issues out of the way, the disposition is to look for quietude marketwise until along toward the end of the month. The next sizeable undertaking on schedule is Monongahela Power Co.'s projected offering of $22,00,000 new bonds and $9,000,000 of preferred stock due about August 20 next.

Eastern Gas & Fuel

Sale of Eastern Gas & Fuel Associates $40,000,000 of new first mortgage and collateral bonds, on Monday, was the exception that proved the rule. In nine cases out of ten where several groups are bidding for a given issue their tenders are decidedly close.

Several recent deals have been awarded on a difference of a few pennies on a $1,000 piece. But in this instance there was no reason for the issuer to hesitate about making the award.

Two banking groups sought the bonds and the winning syndicate offered to pay the company 100.5599 for a 3½% coupon, topping by a wide margin the price of 100.1599 offered by the runner-up for a coupon of 3¾%.

The bonds were offered yesterday at 102.17 to yield 3.35% whereas the opposing syndicate had planned to price 3¾s as par to yield 3.75%.

Great Northern Plans.

Railroad refinancing promises to contribute heavily to the fall emission of new securities, judging by plans already in the works.

Southern Pacific already has authorized call for redemption on Jan. 1 next of $159,459,000 of its first and refunding bonds.

Funds for this operation will be raised through the sale of $125,000,000 of new bonds to the public plus an additional $25,000,000 to the Southern Pacific Co., parent organization.

Meanwhile Great Northern plans the sale of a total of $75,000,000 of new bonds in two equal instalments, to provide for the retirement, on Jan. 1 next, of $50,000,000 of Series I bonds and on July 1, 1947 of $36,956,000 of Series E.

Two banking groups are reported being organized to bid for the bonds, one headed by Morgan Stanley & Co. and the other by Halsey, Stuart & Co., Inc.

Another Utility on List

The already long list of public utility projects was broadened with the addition of Columbia Gas & Electric Corp., which has informed the Securities and Exchange Commission of plans for interim financing.

The company proposes to sell $22,000,000 of two-year 1½% notes to banks at par and use such funds with $10,640,000 of treasury cash for the retirement of its 5% debentures due May 1, 1952.

The latter are outstanding in a total of $32,000,000 and subject to call at 102 and interest. By this operation the company hopes to reduce charges against income by approximately $1,220,000 which includes savings in interest and removal of charge for debt amortization and discount.

Crop Prospects in Canada Reported

A survey of crop prospects in Canada as reported by the Bank of Montreal on Aug. 2 says conditions in the Prairie Provinces are satisfactory in Manitoba, North-Central and Eastern Saskatchewan and in West-Central and Southwestern Alberta. Elsewhere, says the report, prospects vary from fair to poor. While good rains have checked deterioration in parts of Alberta they were too late to be of much benefit. It is now apparent, the Bank reports, that yields in the large, dry areas of Alberta and Saskatchewan will be light. Wheat is practically all headed out and coarse grains are making rapid progress. In the Maritime Provinces all crops are making satisfactory progress under favorable conditions. Conditions generally continue promising in British Columbia and the general outlook is favorable in Ontario and Quebec.

Canadian Funds in New York

Under this title we have prepared a chart covering the period
JAN. 1, 1919, TO JUNE, 1945
which records monthly high and low averages of the
Canadian Dollar in terms of the United States Dollar.

Copy available upon written request.

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Canadian Securities

By BRUCE WILLIAMS

Theorists and universal planners rush in where men of sound experience fear to tread. How much more readily the Bretton Woods plan would have been accepted had it been the product of the professional banker and international business man. Canada can have its central bank run by the State without causing loss of confidence because wisdom has been displayed in placing at its head a recognized banker of long experience and respected judgment. "Montagu the Norman," however narrow his concepts, offered to a world torn by doubt and indecision, a solid orthodox policy which has stood the test of time.

No country has proceeded further in the field of nationalization than Canada, and even the tory stronghold of Ontario has not been backward in this respect. However, for the most part, public control has been administered economically and competitively for the benefit of the community, and not as part of a political program. Consequently, confidence at home and abroad has not been disturbed.

Unfortunately, this does not appear to be the case in the Mother Country. Brilliant planning has taken the place of tried orthodox experience. Managed currency by Lord Keynes replaces the gold standard of Montagu Norman; nationalization by politics-conscious Professor Laski usurps the policy of free enterprise so long successfully practised by the city of London. It becomes increasingly clear, therefore, that within the British Commonwealth, Canada offers not only the greatest opportunities for economic progress but also the last refuge of those who still wish to endeavor to succeed in a system of free enterprise and do not require state assistance from the cradle to the grave.

Turning to the market for the past week, the external section in the absence of interest slowly receded. Offerings were negligible but buying support was lacking. Albertas, however, were an exception to the rule and scattered buying maintained the price-level. Unsettlement continued in the internal section and considerable liquidation caused further weakness in free funds to 9⅞% before renewed investment buying checks the decline and steadied the rate to 9⅜.

As already mentioned, it should now be possible to make interesting purchases of internal Dominions by awaiting opportunities to purchase cheap exchange. However, following Finance Minister Ilsley's recent statement, there is now an established high level for the free Canadian dollar at about 9⅛% instead of a possible of parity. Consequently, subsequent swings can now be wider and it must be remembered that the recent bout of liquidation was fairly comfortably absorbed because of the existing considerably short position maintained by exchange professionals.

With regard to possible future developments now that we have entered the period of the August doldrums it is unlikely that there will be any early departure from the existing dull inactive pattern. However, any exaggerated decline would afford opportunities for scale buying in view of the fact that the fundamental situation is unchanged and Canadian securities, both internal and external, still make favorable comparison with domestic issues.

Also it is likely that the temporary uncertainty caused by doubts concerning a possible modification of the basic interest pattern will be removed in the near future, which although it might result in the correction of certain recent exaggerations in the U. S. Government bond market, such healthy adjustment would place all investment markets on a sounder footing.

Changes in SEC Staff

The resignations of Donald C. Cook and Ralph T. McElvenny, Assistant Directors of the Public Utilities Division of the Securities and Exchange Commission (termed as key members of the SEC) were announced on Aug. 3, according to special Philadelphia advices that day to the New York 'Times," from which we also take the following:

At the same time the Commission reported the promotions of David K. Kadane of New York City, special counsel of the division, and Robert F. Krause of Rocky River, Ohio, a principal attorney of the division, to fill the berths vacated by Messrs. Cook and McElvenny.

Harry G. Slater of Newton, Mass., the Commission said, has been advanced from a principal attorney in the Public Utilities division to the post of special counsel and will assume the duties previously performed by Mr. Kadane.

The Commission also announced that, in view of the "heavier legal burden incident to an increasing volume of Section II plans," it has designated John W. Christensen of Hammond, Ind.; Maurice C. Kaplan of Chicago, Ill., and William R. Nowlin of Nashville, Tenn., as special counsel of the Utilities Division.

Mr. Cook, an employee of the SEC since May, 1935, had held the position of Assistant Director of the Utilities Division since March, 1943. He resigned to accept an appointment as special assistant to Attorney General Tom Clark, who recently succeeded Francis J. Biddle of Philadelphia as head of the Department of Justice. His resignation is effective immediately.

Mr. McElvenny, employed by the Commission since November, 1934, had held the position of Assistant Director of the Utilities Division since March, 1942. He submitted his resignation, effective on Aug. 11, in order to enter private employment in Chicago.

In connection with the resignations and promotions, the Commission stated that George Otis Spencer and Morton E. Yohalem will continue to serve as Assistant Director and counsel of the Utilities Division, respectively.

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Arthur Whitehill Dead

Arthur M. Whitehill, Sr., a partner in Haydock, Schreiber & Co., New York Stock Exchange firm, died of a heart ailment while visiting his son, Arthur M. Whitehill, Jr., professor of philosophy in the University of Virginia. Mr. Whitehill began his career with the family firm of Cleveland & Whitehill Co., manufacturers at Newburgh, N. Y. He later joined Parker, McElroy & Co., New York stock brokers, maintaining his status of partner when the firm changed its name in 1940 to Haydock, Schreiber & Co.

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CANADIAN SECURITIES
Government • Provincial • Municipal • Corporate

Impact of the National Debt Upon Banks and the Capital Market

(Continued from first page)

The gross debt now outstanding approximates $245,000,000,000, most of it incurred during World War II but represented in the total are carryovers from the war with Mexico, the Civil War, the building of the Panama Canal, World War I and the battle with unemployment during the depression of the Nineteen Thirties.

Future Policies

What are to be the future debt policies of the nation? That depends, in part, on the trend of the outstanding debt. Is debt expansion likely to end with the defeat of Japan, or will the debt continue to rise for a considerable period thereafter? Will the budget be balanced during the reconversion period or will new debts be created to finance activities or provide employment for temporarily displaced laborers? Perhaps the reconversion may be so gradual as not to require governmental action. If a boom should follow industrial reconversion, will debt expansion be replaced by a period of debt retirement, or will the nation prefer tax reduction to debt redemption? The future trend of the national debt is thus uncertain. It may continue to grow, even at a declining rate; it may neither increase nor decrease perceptibly; it may even be reduced. The course, whatever it is to be, will be determined largely by the character of the years to come—by the periods of prosperity or depression which lie ahead. If, too, through political action, the nation attempts to maintain prosperity or prevent depression, one way or another the public debt will probably be affected.

Let us consider some of the problems arising from the sheer magnitude of the national debt, from the concentration in its ownership, together with the effects upon bank liquidity and the availability of capital for future needs.

Magnitude of the Debt

On V-E Day (May 8, 1945) the gross national debt was $235,435,000,000.[1] The Treasury places the pre-war (World War II) debt at $55,000,000,000 as of Nov. 30, 1941, which makes the debt increase for the defeat of Germany and the incidental campaigns against Japan equal to $180,000,000,000.[2] But if the debt increase is calculated from July 1, 1940, when military preparations began in earnest, the debt attributable to World War II up to V-E Day was $192,000,000,000,[3] and, of course, not all of the debts incurred up to that time are included. In World War I, for example, the armistice came on Nov. 11, 1918, but the peak of debt came on Aug. 31, 1919, on which date the obligations of the nation were $26,597,000,000.[4] On June 30, 1866, the total gross debt of the United States was about one-tenth of that sum—$2,756,000,000. These data indicate not only how great the increase in the national debt has been but also how much more costly each successive war has grown. On June 18, 1945, the gross debt was $244,750,000,000. By the time Japan surrenders, the debt may be not far from $300,000,000,000.

In Table I are shown the total gross debt of the United States for World War I and II and the trend during the 1930 depression. The data are given for the fiscal years ending June 30.

TABLE I

The Gross Public Debt of the United States for Selected Periods: 1914-26, 1930-38, 1940-45

Fiscal Year Ending June 30—	Total Gross Public Debt	Gross Public Debt Per Capita
1914	$1,188,235,400	$12.00
1915	1,191,264,068	11.83
1916	1,225,145,568	11.96
1917	2,975,618,585	28.57
1918	12,243,628,719	115.65
1919	25,482,034,419	240.09
1920	24,299,321,467	228.33
1930	16,185,309,831	131.49
1931	16,801,281,492	135.37
1932	19,487,002,444	155.93
1933	22,538,672,560	179.21
1934	27,053,141,414	213.65
1935	28,700,892,625	225.07
1936	33,778,543,494	263.01
1937	36,424,613,732	281.80
1938	37,164,740,315	285.41
1940	42,967,531,038	325.63
1941	48,961,443,536	367.54
1942	72,422,445,116	537.35
1943	136,696,090,330	1,001.55
1944	201,003,387,221	1,456.54
1945, as of May 31	238,831,869,452	1,714.23

Data taken from **Annual Report of the Secretary of the Treasury**, 1944, pp. 626-27; and **Daily Statement of the U. S. Treasury**, June 1, 1945.

Problems Created by a Large Debt

In any language, whether of sign or statistics, the national debt is a large debt. Practically all of it is internally-held. Even though we now owe $240,000,000,000 to ourselves, the larger the debt the more serious are the consequences of transfer payments of interest and principal, especially upon the distribution of incomes and resources and, perhaps, upon the incentives of bondholders and taxpayers to work, save and invest. The greater the debt bearing any given interest rate, the heavier the interest burden and the greater the costs of amortization. Such payments to bondholders ordinarily require the imposition of taxes which, in turn, reduce the spendable incomes of taxpayers. Thus, as the debt grows in size, taxpayers often seek to maximize national income and production in the hope of reducing the relative severity of debt charges. The larger the debt the larger are the transfers from taxpayers to bondholders; the greater the economic effects likely to flow from such transfers. These effects arise not merely from the taxes imposed and the payments made to bondholders but are influenced as well by the nature of debt ownership. If the debt is held by a **rentier** class, payment to them usually increases the inequalities in the distribution of wealth. If the debt is widely distributed among economic classes, the distributional effects of debt redemption are more equitable; the social and political consequences less serious. If the debt falls into the hands of speculators, manipulations for profit can be expected. If it is held by financial institutions it may add to the supply of credit at appropriate as well as inappropriate times. Such ownership will, however, tend to diffuse the effects of debt ownership over broad classes within society, especially in the middle- and lower-income groups whose bank deposits, insurance premiums and savings make possible as well as augment, the institutional investments in government securities. The larger the debt becomes the more important is the problem of who owns the debt; the more desirable is it, too, that the owners shall hold the debt until maturity, or until such times as increased spending is appropriate. From the standpoint of the owners, the larger their holdings become the greater are the problems of reinvestment and **ex hypothesi** the longer the period repayments will probably remain uninvested in the hands of individual owners. The problems of debt administration and management increase in difficulty with the growth in the volume of the outstanding debt.

Holders of the Debt

In the early days of public borrowing, loans were made to the State by wealthy individuals and families. A few notable private banks and investment houses trace their origin to such undertakings. In the course of time the rich private banker was replaced by banking institutions; the money market then provided the required funds, but during emergencies, as the borrowing requirements of nations became greater, popular subscriptions to diffuse debt ownership among citizens came into vogue. At first debt holdings were concentrated among the upper-income classes, but gradually public securities have come to be a preferred investment of workers and others who need comparatively riskless investments for their meager funds. A long-term historical survey of debt ownership will reveal a steady diffusion of debt ownership among individual citizens as well as a decrease in the relative concentration of ownership among the rich. The greatest strides in this direction have, of course, been made during World War II with the sale of Series E war bonds to workers and others through payroll deduction plans. Coincident with these developments has been the increase in the ownership of public debt instruments by commercial banks, insurance companies, and other financial institutions. The investment of social security trust funds in government securities has greatly augmented the importance of inter-fund borrowings. These, together with the institutional holdings which may be imputed to depositors, policy holders and investors, indicate a widespread diffusion of debt ownership among individuals in the United States. These citizen-owners, from among all income classes, have a vital stake in the future management of the national debt. Data as to the ownership of Federal securities are continuously available since 1916 and are shown in Table II.

In recent years the tremendous absorption of the debt by the banking system has been regarded with apprehension by many economists. During the late depression non-bank sources of funds tended to dry up and even many banks restricted their investments; during the war, commercial banks were depended upon to provide whatever funds non-bank investors did not supply. It was a matter of Treasury policy to keep bank loans to the lowest possible figure in order to minimize inflationary pressures; hence borrowings were directed at syphoning off the (potentially) spendable incomes of individual investors and to tapping the available resources of other lenders. During the fiscal year 1943, commercial banks and Federal Reserve banks absorbed $30.000,000.000 out of the $63,000,000,000 of Federal securities sold during that year.[5] During fiscal 1944, commercial banks and Federal Reserve banks purchased $24.000,000,000 out of the $62,000,000,000 of Federal securities issued in that year.[6] Banks thus absorbed 39% of the net Federal borrow-

TABLE II

Ownership of U. S. Government Securities, Direct and Fully-Guaranteed

(In Millions of Dollars)

Fiscal Year Ending June 30	Total Interest-Bearing Securities Amount	†Per Cent	Federal Agencies and Trust Funds Amount	†Per Cent	Federal Reserve Banks Amount	†Per Cent	Member Banks Amount	†Per Cent	Other Commercial Banks Amount	†Per Cent	Mutual Savings Banks Amount	†Per Cent	*Insurance Companies Amount	†Per Cent	Other Investors Amount	†Per Cent
1916	$972	100.0%	$2	.2%	$57	5.9%	$703	72.3%	$50	5.1%	$10	1.0%			$200	20.6%
1917	2,713	100.0	2	.1	66	2.4	1,065	39.3	480	17.7	100	3.7			1,000	36.8
1918	11,986	100.0	53	.4	255	2.1	2,465	20.5	750	6.2	300	2.5			8,200	68.3
1919	25,234	100.0	149	.6	292	1.2	3,803	15.1	1,340	5.3	670	2.5			19,000	75.3
1920	24,061	100.0	207	.9	341	1.4	2,811	11.7	940	3.9	840	3.5			18,900	78.6
1921	23,737	100.0	349	1.5	259	1.1	2,561	10.7	830	3.5	950	4.0			18,800	79.2
1922	22,711	100.0	422	1.9	555	2.4	3,205	14.1	780	3.5	1,010	4.5			16,700	73.6
1923	22,008	100.0	412	1.9	102	.4	3,835	17.4	870	3.9	1,120	5.1			15,700	71.3
1924	20,982	100.0	386	1.8	431	2.1	3,575	17.0	860	4.1	1,160	5.5			14,600	69.5
1925	20,211	100.0	516	2.6	353	1.7	3,780	18.7	850	4.2	1,130	5.5			13,600	67.3
1926	19,384	100.0	626	3.2	385	2.0	3,745	19.3	810	4.1	960	4.9			12,900	66.5
1927	18,251	100.0	728	4.0	370	2.0	3,796	20.8	800	4.5	810	4.5			11,700	64.2
1928	17,318	100.0	821	4.7	235	1.4	4,225	24.4	940	5.4	720	4.1			10,400	60.0
1929	16,639	100.0	884	5.3	216	1.3	4,155	25.0	790	4.8	560	3.4			10,000	60.1
1930	15,922	100.0	972	6.1	591	3.7	4,061	25.5	920	5.7	520	3.2			8,900	55.9
1931	16,520	100.0	435	2.6	668	4.1	5,343	32.3	670	4.0	650	3.9			8,800	53.2
1932	19,161	100.0	570	3.0	1,784	9.3	5,628	29.4	590	3.1	680	3.5	$800	4.2%	9,100	47.5
1933	22,158	100.0	689	3.1	1,998	9.0	6,887	31.1	590	2.7	720	3.2	1,000	4.5	10,300	46.4
1934	27,161	100.0	1,451	5.3	2,432	9.0	9,413	34.6	890	3.3	970	3.6	1,500	5.5	10,500	38.7
1935	31,768	100.0	1,998	6.3	2,433	7.7	11,409	35.9	1,290	4.1	1.540	4.8	2,600	8.2	10,500	33.0
1936	37,707	100.0	2.329	6.2	2,430	6.4	13,671	36.3	1,600	4.3	2,050	5.4	3,900	10.3	11,700	31.1
1937	40,465	100.0	3,594	8.9	2,526	6.2	12,689	31.4	1,870	4.6	2,390	5.9	5,000	12.4	12,400	30.6
1938	41,429	100.0	4,799	11.6	2,564	6.2	12,343	29.8	1,700	4.1	2,690	6.5	5,200	12.6	12,100	29.2
1939	45,336	100.0	5,908	13.0	2,551	5.6	13,777	30.4	1,920	4.3	3,040	6.7	5,800	12.8	12,300	27.2
1940	47,874	100.0	7,070	14.8	2,466	5.1	14,722	30.7	1,828	3.8	3,110	6.5	6,500	13.6	12,200	25.5
1941	54,747	100.0	8,482	15.5	2,184	4.0	18,078	33.0	2,022	3.7	3,430	6.2	7,000	12.8	13,600	24.8
1942	76,517	100.0	10,611	13.9	2,645	3.4	24,098	31.5	2,292	3.0	3,890	5.1	8,900	11.6	24,100	31.5
1943	139,472	100.0	14,311	10.3	7,202	5.1	46,980	33.7	5,480	3.9	5,290	3.8	12,800	9.2	47,400	34.0
1944	201,059	100.0	19.097	9.5	14,901	7.4	60,339	30.0	8,092	4.0	7,306	3.7	17,300	8.6	74,000	36.8

*Before 1932 insurance companies included in "other investors."

†Per Cents will not necessarily add up to totals due to rounding in original figures.

Source: **Federal Reserve Bulletin**, December, 1943, p. 1178; July, 1941, p. 664.

TABLE III

Treasury Survey of Ownership of All Interest-Bearing Securities Issued or Guaranteed by the United States Government, Feb. 28, 1945

(In millions of dollars)

		Held by investors covered in Treasury survey							
		*Banks			Insurance companies				
Classification—	Total amt. outstanding	†7,410 commercial banks	34 stock savings banks	542 mutual savings banks	Total	317 life insurance companies	653 fire, casualty & marine insurance companies	All U. S. Govt. agencies and trust funds and Federal Reserve banks	‡Held by all other investors
Public securities:									
Marketable securities	$163,166	$72,186	$357	$8,476	$19,289	$16,828	$2,460	$24,690	$38,168
Non-marketable securities	52,672	1,286	7	189	268	98	169	15	50,907
Total public securities	$215,838	$73,472	$364	$8,665	$19,556	$16,927	$2,630	$24,706	$89,075
Special issues	17,130	----	----	----	----	----	----	17,130	----
§Total interest-bearing securities issued or guaranteed by the United States	$232,968	$73,472	$364	$8,665	$19,556	$16,927	$2,630	$41,836	$89,075
Percentage distribution	100%	31.5%	.2%	3.7%	8.4%	7.3%	1.1%	17.9%	38.2%

Taken from "Bulletin of the Treasury Department," May, 1945, p. 49.

*Securities held in trust departments are excluded.

†Includes trust companies.

‡This column includes securities held by those banks and insurance companies which are not covered in the Treasury survey. See headnote to this section.

§Guaranteed securities held by the Treasury are not included.

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*An address by Professor Leland delivered at the Mortgage Bankers Farm Seminar, Purdue University, Lafayette, Ind., June 27, 1945. The second part of the address will appear in the "Chronicle" of Aug. 16. The author desires to acknowledge his debt to Messrs. Lloyd W. Mints and John K. Langum for suggestions and criticisms of preliminary drafts of this article. For errors of fact or judgment the author assumes full responsibility. The views expressed herein are purely personal and must not be attributed to any organizations or institutions with which the author is affiliated.

[1] **Daily Statement of the U. S. Treasury**, May 8, 1945, p. 2.

[2] **Ibid.**, May 1, 1945, p. 9.

[3] At the close of the fiscal year on June 30, 1940, the gross debt was $42,967,531,038. **Annual Report of the Secretary of Treasury on the State of the Finances for the Fiscal Year Ended June 30, 1944**, p. 627.

[4] **Daily Statement, supra.**

[5] **Annual Report of the Secretary of the Treasury**, 1944, p. 89.

[6] **Ibid.**

Newport News Shipbuilding and Dry Dock Company

Statement of Recorded Cost of Work Performed During the Thirteen Weeks and the Twenty-six Weeks Ended June 25, 1945 and June 26, 1944

(Subject to year-end audit, charges and adjustments)

	Thirteen Weeks Ended June 25, 1945	Thirteen Weeks Ended June 26, 1944	Twenty-six Weeks Ended June 25, 1945	Twenty-six Weeks Ended June 26, 1944
New Ship Construction	$29,024,000	$31,133,000	$53,814,000	$61,134,000
Ship Repairs and Conversions	942,000	1,530,000	1,644,000	2,681,000
Hydraulic Turbines and Accessories and Other Work	1,292,000	753,000	2,003,000	1,334,000
Totals	$31,258,000	$33,416,000	$57,461,000	$65,149,000

By Order of the Board of Directors

R. I. FLETCHER
Comptroller

July 31, 1945

ings in 1944 and 49% of the loans in 1943.

On a cumulative basis, commercial banks and savings banks, on Feb. 28, 1945, held $82,501,000,000, or 36%, of the total interest-bearing securities issued or guaranteed by the United States.[7] Insurance companies held $19,556,000,000, or 8%, of the outstanding issues. Government agencies, trust funds and the Federal Reserve banks held $41,836,000,000, or 18%, of total issues, while all other investors owned $89,075,000,000, or 38%, of the outstanding debt, as is shown in Table III. Thus the holdings of individual and corporate investors, other than banks and insurance companies, were only slightly in excess of the amount of Federal securities owned by commercial and savings banks. At the time this survey of ownership was made the total outstanding interest-bearing securities of the national government amounted to $232,968,000,000.

Sale of Future Issues

Will these owners continue to hold on to their securities until maturity? Or will some sell substantial amounts in order to secure more attractive returns elsewhere, to finance new undertakings, to utilize the funds in their own businesses, or will they spend the proceeds on consumption goods? If securities are offered on the market, who will purchase them? And what effects, if any, may arise from the changes in ownership?

It may be doubted if after the war, patriotic urges can be depended upon to assure the sale of substantial amounts of Federal securities to individuals and business concerns. They will always purchase some "governments," it is true, but purchases will depend on individual investment requirements rather than upon government need for funds. Purchases will be affected by the then existing alternative uses of private capital and by investment alternatives, as well as by the sums available for expenditure or investment. These are variables not all of which are within the control of government but which, of course, will be affected by public fiscal policies, the flow of money payments, the level of employment and other conditioning factors. Idle balances may be absorbed by short-term offerings but longer-term commitments will be more generally dependent upon the state of trade and the outlook for the future.[8] Thus whether individuals and businesses can be expected to absorb the securities thrown on the market is dependent largely upon the relevant economic conditions at the time.

The supply of securities on the market, apart from the new issues offered by the Government, will be determined not only by forces like those just mentioned but also by switches in investment portfolios of financial institutions, affected materially by present and prospective yields. Suppose that non-bank owners want to sell government securities, will the banks purchase them? Either the banks, the Federal Reserve System, or the Treasury will have to do so; otherwise security prices will fall to a point where they become attractive to other investors.[9] Again, relative yields will be a decisive factor. But banks are not free to buy any and all United States bonds sold on the open market. Since 1942 commercial banks have not been eligible to hold certain issues, principally

(Continued on page 634)

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[7] **Bulletin of the Treasury Department,** May 1945, p. 49.

[8] The effects of short-term financing have been dealt with elsewhere. See Leland, Short-Term Debt, the Banks and the Future, Sixth Annual Minnesota Bankers Conference, University of Minnesota, Minneapolis, Feb. 13, 1945.

[9] Maintaining bond prices has been discussed by the author in "Management of the Public Debt after the War," **American Economic Review,** Supplement, Vol. XXXIV, No. 2, pp. 111-22. June 1944.

"Live Alone and Like It"

Title of a Recent Popular Book

The above volume is recommended reading for American capitalists (and their Canadian and possibly Swiss counterparts) if we are to take British Laborites at their word. For the American financial way, based upon free enterprise and free markets, may be the only remaining example of its kind in a post-war regimented or socialized world. This is not the place for an analysis of the reasons for the overwhelming defeat of the Conservative Party in Great Britain. The subject has been adequately dealt with in the press, but there is some question as to the ability of the Labor Party to carry out more than a small part of its ambitious but radical program. We wonder whether the British are rich enough just now to afford the luxury which we chose in the 1930's, namely, reform before recovery. At any rate, the election news was a great surprise all around and naturally caused some liquidation of common stocks and speculative bonds, but the action of the market was not convincing. A program of socialization will hardly attract foreign capital to London; some which might have gone there in the future may now come here. The fall of the Churchill government was a shock, and it may have interesting repercussions in Spain, Portugal and elsewhere on the Continent, but we seriously doubt whether the event makes American common stocks worth less in the long run. Ratification of the United Nations Charter by the U. S. Senate and passage of the Bretton Woods legislation were offsetting influences which had no effect.—From "Market Comment," by Robert S. Byfield, Byfield & Co.

Industrial Relations Conference Proposed

Senator Vandenberg (R.-Mich.) is reported to have proposed to Labor Secretary Schwellenbach that he sponsor a general industrial peace conference, and, according to the "Wall Street Journal," Aug. 3, the Labor Secretary is said to have endorsed the suggestion. Senator Vandenberg is said to have asked the new head of the Labor Department to call together representatives of industry, labor and Government to promulgate a program by which strife in the period of reconversion might be avoided.

The proposed conference will probably not be held until Mr. Schwellenbach has completed the task he is now engaged in, that of working out a plan to merge all Federal agencies dealing with labor.

Now Capt. Schlesinger

Robert L. Schlesinger, who before entering the Army was connected with Edwin J. Schlesinger, investment counsel, 41 East 42nd St., New York City, has recently been promoted from first lieutenant to captain.

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THE American Viscose Corporation started in 1910 with one plant and about 600 employees. Today the Company operates seven plants employing about 18,000 people, and produces more than 200,000,000 pounds of rayon per year.

The Company makes both viscose and acetate rayon. At the present time a large proportion of the Company's output is going into war uses which include rayon fabric for airplane and heavy duty tires, fragmentation bomb parachutes, aerial delivery parachutes and self-sealing gasoline tanks for military planes.

The American Viscose Corporation has Southern plants at Front Royal and Roanoke, Virginia, and at Parkersburg and Nitro, West Virginia. It has recently announced its intention of building a new plant to be located at Radford, Virginia. The Company's three other plants are in Pennsylvania.

The basic raw material used by the Company for making rayon is wood pulp and cotton linters pulp. Much of the wood pulp today is derived from Southern pine, while the cotton linters pulp is also a Southern product. The American Viscose Corporation worked closely with Dr. Charles Herty in his early experiments which resulted in the successful use of Southern slash pine in producing the extremely pure type of cellulose needed for rayon manufacture.

The rayon made by the Company is widely used throughout the Southern textile industry. Hundreds of fabrics today are made by blending cotton with rayon to obtain desired textures and fabric effects. In this way the South's great staple crop and the newer man-made rayon fiber cooperate to give the American public finer fabrics and greater value for their money.

Another advertisement in the series by Equitable Securities Corporation featuring Southern developments. Equitable has helped to finance many Southern companies, is ready to do its part in supplying others with capital funds.

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Impact of the National Debt Upon Banks and the Capital Market

(Continued from page 633)

the 2½% bonds, until, say, ten years after issue. The amount of such issues outstanding on Feb. 28, 1945, was $25,055,000,000, or about 18% of the total marketable debt. The facts as to these issues are shown in Table IV.[10]

Not all of these securities would be offered for sale at any one time—that is certain. But the volume to be offered and the probable time of offers are unknown. Whether the sales options would exceed the purchase orders, or vice versa, or whether the sales could be absorbed readily or the market upset by price changes are all conjectural. That these things could happen must be acknowledged. If banks as the greatest potential buyers of United States securities can not own 18% of the outstanding marketable issues until after a period of years, who will take the offerings of present holders? It is possible, of course, that buyers for these securities of limited negotiability may not be found **at certain times in the future** until yields are made more attractive by price declines. Understand, this is not a prediction; it is merely a possibility created by restrictions on the negotiability of certain present issues.

TABLE IV

U. S. Securities Not Eligible for Commercial Bank Ownership Until After Specified Dates

Issue—			Dated	Ineligible for Commercial Bank Purchase Until	Amounts Outstanding Feb. 28, 1945
Treasury	2½%	1967-62	May 1942	5- 5-1952	$882,000,000
Treasury	2½%	1967-62	Aug. 1942	5- 5-1952	1,236,000,000
Treasury	2½%	1968-63	Dec. 1942	12- 1-1952	2,831,000,000
Treasury	2½%	1969-64	April 1943	4-15-1953	3,761,000,000
Treasury	2½%	1969-64	Sep. 1943	9-15-1953	3,838,000,000
Treasury	2½%	1970-65	Feb. 1944	2- 1-1954	*†5,197,000,000
Treasury	2½%	1971-66	Dec. 1944	12- 1-1954	‡3,487,000,000
Treasury	2¼%	1959-56	Feb. 1944	9-15-1946	*3,823,000,000
Total					$25,055,000,000

Tabulation of securities ineligible for commercial bank purchase secured from W. R. Diercks, Examination Department, Federal Reserve Bank of Chicago. Outstanding amounts taken from **Bulletin of the Treasury Department,** May 1945, p. 52.

***Exceptions during Fourth War Loan Drive (1-18-1944 to 2-15-1944)** These treasury bonds and the Series F and G Savings bonds could be acquired up to 10% of savings deposits (as defined by Reg. Q) as shown on last call report, or $200,000, whichever is less.

†Exceptions during Fifth War Loan Drive (6-12-1944 to 7-8-1944) These treasury bonds and the Series F and G Savings bonds could be acquired up to 20% of savings and time certificates of deposit issued to individuals, etc., as shown on last call report, or $400,000, whichever is less. Total limit on such purchases includes those made under the formula applying to the Fourth War Loan Drive, whether or not the issues have since been sold. Banks may purchase the Treasury 2—1954-52 without restriction in the open market after the close of the drive on 7-8-1944.

‡Exceptions during Sixth War Loan Drive (11-20-1944 to 12-16-1944) These treasury bonds and the Series F and G Savings bonds can be acquired up to 10% of savings and time certificates of deposit issued to individuals, etc., as shown by the last call report to supervising authorities, or $500,000, whichever is less.

Fortunately, many of these issues are in the hands of insurance companies and others who bought for the sake of long-term yields and may be counted on to hold substantial blocks until maturity. For example, on Feb. 28, 1945, about 12% of the marketable interest-bearing securities of the United States were owned by insurance companies, 15% were in the hands of government agencies and the Federal Reserve System, while 23% were held by other non-bank investors, as is shown in Table V.

That part of the debt now held by U. S. agencies and trust funds, and by the Federal Reserve banks can be dismissed from present consideration. The agency and trust fund investments will be held until maturity or until the funds in question need cash. The Federal Reserve Bank holdings will be increased or decreased in accordance with over-all monetary policy requirements and we may assume that the policies adopted will be appropriate to the times. The prospect of extensions in the social security program, with increases in contributory payments or appropriations from general revenues, will increase the ownership of Federal securities by these funds, so long as the reserve basis of figuring liabilities continues. As government agencies and funds increase the share of the public debt held by them, market uncertainties are to that extent avoided. Interfund borrowing will become more important relatively and will, of course, present other problems, which will not be considered here.

About half of the marketable debt, on Feb. 28, 1945, was owned by commercial and savings banks, which also may be reluctant to sell their long-term issues because of their relative high yield. The long maturities, however, were concentrated mainly in the hands of insurance companies and non-bank private investors. Of the securities due in from 15 to 20 years, 43% were owned by insurance companies and 28% by non-bank investors. 70% of the issues due in 20 years and over were held by these two groups of investors. This may sound reassuring but there is no assurance that these owners will continue to hold substantial amounts of Federal securities until maturity. They may do so, and propaganda may be directed so as to induce them to hold, but economic forces have a way of bringing about sales and the shifting of investment portfolios. For example, life insurance companies from 1929 to 1933 had less than 5% of their total admitted assets invested in United States bonds.[11] It was not until after 1934 that the 49 companies representing over 91% of life insurance assets owned over $1,000,000,000 worth of Federal securities.[12] During the depression they steadily increased their purchases of United States securities and during the war they have even disposed of other assets in order to increase bond subscriptions. In view of their contractual interest assumptions and the claims of policy holders, insurance companies have invested for long-term yields and have attempted, risks being considered, to maximize investment returns. War-time shifts in insurance company investments seem to indicate that these companies can not be expected to hold "governments" to maturity in post-war years **irrespective of trends in security markets** and the appearance of new offerings carrying the prospect of higher returns.[13] The possibility of such transfers can not be dismissed even if the contingency now seems remote.

If, then, a substantial portion of the $25,000,000,000 of securities which can not be sold to commercial banks for several years should be offered for sale, nothing may happen until the price of these issues begins to drop sharply, in which case the Treasury may be expected to act. The Open Market Committee of the Federal Reserve Banks would probably be urged to support the market, if it did not do so at once on its own initiative. The Treasury might abrogate the present restrictions on purchases by commercial banks. Or funds at the disposal of the Treasury might be used to assist the Federal Reserve banks in taking government issues off the market. Such purchases by the Reserve System would provide the member banks with additional excess reserves which the banks, in turn, might use to buy "governments" or to make loans to individuals to finance such purchases. This might postpone the necessity for removing the limitations on bond purchases by commercial banks. If interest rates, however, were advancing, the Treasury, instead of buying in the market, might refund such issues as were callable or offer to exchange outstanding issues for new issues bearing higher coupon rates. This would solve the problem of pressure on the market but would increase both interest costs and administrative expenses. The credit standing of the Government would not be jeopardized by such events, nor is it believed that they would adversely affect the marketing of other securities, save as the large amount of "governments" offered for sale mopped up savings awaiting investment, or increased the appetite of investors for practically riskless securities. These possible effects have become more important as the size of the Federal debt has increased.

(The balance of this address by Professor Leland will appear in the "Chronicle" of Aug. 16th.—Editor.)

TABLE V

Ownership of Marketable Interest-Bearing Securities, Classified by Owners and Maturities, Feb. 28, 1945

(Amounts in millions of dollars)

Securities due or callable within period shown	Total outstanding		Banks		Insurance companies		U. S. agencies and trust funds and Fed. Reserve banks		Held by other investors	
	Amount	Per Cent	Amount	Per Cent of total	Amount	Per Cent of total	Amount	Per Cent of total	Amount	Per Cent of total
Within one year	$57,836	100%	$25,976	45.0%	$605	1.0%	$18,014	31.1%	$13,240	22.9%
One to 5 years	31,563	100%	21,936	69.5%	1,910	6.1%	1,712	5.4%	6,004	19.0%
Five to 10 years	38,468	100%	24,681	64.2%	4,040	10.5%	947	2.5%	8,801	22.9%
Ten to 15 years	9,783	100%	4,234	43.3%	2,124	21.7%	704	7.2%	2,722	27.8%
Fifteen to 20 years	14,084	100%	2,585	18.4%	6,049	43.0%	1,478	10.5%	3,971	28.2%
Over 20 years	11,400	100%	1,593	14.0%	4,550	39.9%	1,829	16.0%	3,427	30.1%
Various (Federal Housing Admin. debentures)	32	100%	12	42.6%	10	33.0%	6	19.1%	3	8.9%
Total	$163,166	100%	$81,019	49.6%	$19,289	11.8%	$24,690	15.1%	$38,168	23.4%

Data taken from "Bulletin of the Treasury Department," May, 1945, p. 49-50.

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[10] In addition to limitations shown in Table IV certain securities offered for sale during the Seventh War Loan (May-June, 1945) are ineligible for bank ownership at present. Commercial banks may not purchase 2½% Treasury Bonds, issued June 1, 1945, due June 15, 1972, until after June 15, 1962. They may not purchase 2¼% Treasury Bonds, issued June 1, 1945, due June 15, 1962 until after June 15, 1952. Commercial banks may subscribe concurrently with the Seventh War Loan, but not as a part of the Loan, to the 1½% Treasury bonds, issued June 1, 1945, due Dec. 15, 1950, and ⅞% certificates, issued June 1, 1945, due June 1, 1946, and to United States Savings Bonds, Series F and G. These subscriptions will be limited to 10% of the combined amount of time certificates of deposits of individuals and non-profit corporations or associations and of savings deposits, but not to exceed $500,000. Purchases of Series F and G savings bonds will be subject to the regular annual limit, applicable to all investors, of $100,000 for both series combined. Only natural persons can subscribe to Series E Savings bonds. See **Bulletin of the Treasury Department,** May 1945, pp. A-2-3.

[11] See **Proceedings of the Thirty-sixth Annual Meeting of the Association of Life Insurance Presidents,** New York, Dec. 11, 1942; **ibid.,** 1943, pp. 18, 20. Per cent of United States bonds owned to total admitted assets was as follows: 1929, 2.0%; 1930, 1.8%; 1931, 1.9%; 1932, 2.2%; 1933, 4.2%.

[12] In 1934, 49 legal reserve companies owned $1,738,000,000 of United States securities; on Sept. 30, 1944, they owned $14,177,000,000. **Ibid.**

[13] Cf. Leland, "The National Debt and its Management," Annual Economic Conference. Chicago Chapter Chartered Life Underwriters, Nov. 16, 1944.

Basic Transportation Policy Needs

(Continued from page 618)

mately one-fifth of the country's invested capital—private and government. The quality, convenience, and costs of transportation influence the standard of living of every man, woman, and child in the United States. The transportation factor enters many times into the distributive systems of agriculture and industry. It influences the price of all commodities.

Care and Deliberation

Post-war policies for transportation are so fundamental in their implications that neither time nor effort should be spared in exploring every aspect of the many problems of this industry before Congress reaches conclusions regarding the objectives and principles of future regulation.

We can no longer risk the dangers inherent in past procedures. For 25 years expediency has influenced the determination of national policies. Little attention has been given to the many sound proposals submitted and the "storm warnings" raised by competent public and governmental authorities in this period. The recommendations, for example, of the Interstate Commerce Commission in 1926, the National Transportation Committee in 1934, and the Federal Coordinator have gone unheeded. In prosperous times the course of least resistance usually prevails—considerations of basic issues are postponed. When the industry is confronted with recurrent emergencies, we patch legislation here and there with hasty and ill-conceived experiments.

The motor carrier act of 1935 was a decade too late. It was conceived with little regard for the services and problems of existing forms of transport. Scant attention was paid to either the economic character or the extent of public requirements for services. This statute was designed not only to regulate "for hire" highway transport but also to promote competition between such facilities and rail services.

Legislative policies affecting surface common carriers were reviewed by Congress in 1939-1940. Again we failed to deal with the problem as a whole. In the preamble of the transportation act of 1940 we paid lip service to "coordination" of services, but the conduct of regulation under the three parts of the act actually operates to the contrary. There has been no real attempt at coordination.

When the civil aeronautics act was enacted in 1938, the extent to which the airplane would enter into the social and economic life of the nation was then uncertain. There were, indeed, justifiable reasons for the promotional aspects of this statute. National defense was the underlying theme.

I am informed by leaders in the industry that the war has advanced the technology and science of aerodynamics at least 30 years. The future of this facility is now predictable. Domestic air transport will probably be limited only by the size of airports and the degree to which government participates in the cost of furnishing and maintaining basic facilities of all kinds.

The Army and Navy will develop and maintain their own air forces for the national defense. Separate appropriations will be provided by Congress for this purpose.

Therefore, if government is to assume the prerogative of "promotion" as a permanent policy for commercial transportation, it should apply such a policy to all alike.

Conflicts in Regulation

Since 1920 we have built transport legislation on two conflicting premises—on the one hand, we rely on regulation to protect the public interest—on the other, we assume that regulation, by itself, is inadequate and must be buttressed by a wasteful and destructive philosophy of competition. We now attempt to regulate competition among types of facilities, each constituted on a different economic base. Apparently, we are not sure of our concept of regulation or what should be done to make it work. As a result, we have developed a "crazy quilt" of transport agencies in the United States. There are hundreds of contract and common-carrier agencies and thousands of shippers are now engaged in the business of commercial transportation on their own account.

The inevitable consequences of the lack of a transportation policy dealing with common-carrier services as a whole is either bankruptcy or a constant increase in the level of rates that the public must pay to maintain a vast peacetime surplus of both services and facilities. Since 1930, except for the transitory tonnage of this war, there has never been enough traffic to go around. Peacetime surpluses and wartime shortages can be equally catastrophic. We have revived the doctrine of competition in rates, reinstating the same discriminations and preferences that prevailed before the original interstate commerce act, enacted in 1887. We are right back to where we started, with the same problems and issues, complicated and magnified many times, that were responsible for the beginning of regulation.

The Basic Issue

In 1920 about 96% of the ton miles and 90% of the passenger miles in the United States were transported by railroads. In 1941 the rails handled only 62% of the ton miles and 14% of the passenger miles. Private, contract, and common carriers by water, highway, air and pipe line carried the rest of the traffic. It follows that the higher the rates of common carriers, the greater the diversion to private carriers. Since 1930 over one-third of the agencies engaged in water and rail services have been in or on the brink of bankruptcy; over half of the common carriers by highway have gone bankrupt or are working "for wages." Financial collapse of the entire common-carrier industry, with few exceptions, was saved only by war. Private ownership must work in peacetime—not depend on war to rescue it. Into the middle of this experiment of attempting to regulate an unsound application of the competitive principle, came the airplane.

There is no doubt that the far-sighted policy embarked on by Congress 23 years ago in extending government aid to air transport has been more responsible than any other one factor for the exceptional contribution of the airplane to this nation's war program. Probably no use of public funds has paid greater returns than the financing of basic facilities for air by the local, state, and federal governments.

But, railroads are required to build and maintain their basic facilities wholly from private capital.

And, from the use of these two sources of credit stems the fundamental issue of the present-day transportation problem. Shall government funds invested in the public domain, **which need earn no return**, continue to compete with, or shall they complement, private capital invested in railroad rights-of-way, **which must earn a return?**

Use of Government Credit

Let me emphasize that the traveler is not interested in competitive wars between air and surface carriers; much less should he be required to pay the costs of duplications of facilities and of wastes inherent in such conflicts.

By what logic is the interest of the traveler served by denying bus companies the right to own and operate helicopters, thus providing a complete transportation service within their sphere of operations?

By what logic is the interest of the traveler and shipper served by denying water agencies which have pioneered the American flag on the high seas, the right to own air facilities and coordinate such services with their ships?

By what logic is the interest of the traveler and shipper served by restricting common ownership, coordination and operation of any or all rail, water, highway, and air services?

Obviously, there should be justifiable reasons, from the point of view of the user, for all these prohibitions and restrictions. We have been able to find none. In the absence thereof, it follows that Congress must devise some formula for equalizing or spreading the benefits of government expenditures over all forms of carriers.

Not only is the user today required to pay, either through taxation or in the level of his rates, for a myriad of duplications in overhead—ticket offices, ground facilities and surpluses of all kinds, but, perhaps of greater importance is the fact that there is little coordination in such services.

No attempt has yet been made to utilize the most efficient and least costly facility in the sphere of its greatest economic usefulness except in one instance—the Railway Express Agency. Otherwise we have a jumble of facilities, all competing for the same traffic.

Commercial air lines pay a token fee for the use of airports. They pay nothing whatever for all other government services. Airlines, busses and trucks pay property taxes on the facilities they own. Busses and trucks pay license fees and gasoline taxes for the use of government funds invested in highways and the upkeep thereof. Whether they pay too little or too much leads us into fields of debate and controversy that I have, thus far, been unable to resolve.

The advocates of things as they are contend that highways, waterways, and airports are available to the whole public—to private and contract, as well as common carriers. This is true. They also say that part of the cost and upkeep thereof should be defrayed from general taxation. I will not argue this point. But, again, let us pursue this question from the user viewpoint. Any shipper or traveler can use the railroad. Goods can be tendered for shipment by rail and cannot be refused. Never does a notice reading "Closed" or "Out of Business" appear on a railroad station. Anyone can travel by train. But, when he pays his freight bill or his fare, included therein is a user charge that reflects a return on **all** the private capital in railroad rights-of-way **plus property taxes.** Rail rates are not cushioned by government credit.

Singularly enough, commercial air carriers are permitted, without restriction, to invest their earnings in stocks or securities of railroads or other surface carriers. Thus, they can also support the security of their private capital with the earnings derived from such surface facilities. Surface carriers are denied this right.

Realities vs. Theories

A realistic view of this whole situation of government aid to transport is that such assistance will increase rather than decrease in the post-war period. It is politically popular, and the United States is a very "political" country. I am dealing with trends as they are,—not theories. It would be just as futile to undertake a revision of thought on these questions as it would have been to argue against the merits of the Capper-Volstead cooperative marketing act of 1923, or the Hoch-Smith resolution of 1924, both designed to prefer agriculture. Each measure was deemed necessary at the time.

Likewise, we might construe the tariff as a form of subsidy for industry and the present device whereby producers and consumers can organize to avoid the payment of taxes is clearly outside the original framework of private enterprise. But I would not fancy the job of undoing all these things. And at this time I cannot produce a satisfactory and practical definition of subsidy in transportation. But we can address ourselves to the use of government financing, to the preferments and discriminations, to the determination of a national policy that will provide the maximum support for private capital that remains in the common-carrier industry, and to encourage future sources of private credit to support this major segment of economy.

The people of this country insist on the most efficient and up-to-the-minute airway services. They will obtain such services one way or another. They are equally concerned with the most efficient water, rail, and highway services. Thus, the problem is to determine how this aim can be attained without the risk of ultimate government ownership.

The Association's Approach

Let me outline the approach to this problem by the Association I represent.

At the very outset it becomes necessary to define the function of the common carrier. The association submits that it has but one purpose—to provide the traveler, shipper, and consumer with the most convenient and efficient service at the lowest possible cost, and to maintain itself in readiness for the national defense. **It is axiomatic that regulation dealing with such services must likewise be based on this fundamental concept.** The Transportation Association of America does not believe that the shipper or traveler is primarily concerned with who owns each and every common carrier, except that he rebels against government ownership. Certainly, he is not interested in the name of the company that furnishes the service. He is entitled to have his "transportation dollar" used in such way as to supply the most efficient facility at the lowest possible rates. He should not be compelled to pay, either through taxes or in the level of rates, for the wastes and costs inherent in a disastrous application of the competitive principle. Much less is the traveler and shipper interested in the conflicts and controversies arising as a result of one group seeking to promote its self interest against another, except as such propaganda confuses public thinkink and beclouds basic issues.

In approaching this problem solely from the point of view of the users as a whole and investors as a class, the Transportation Association believes that national policy should encourage, by deliberate and orderly stages, the creation of competitive transportation systems; that such systems should not, however, exclude the independent carrier where the public interest is served by such added competitive services.

Putting it another way, we would permit, under authority of the regulatory body, ownership of any or all facilities by a transport agency that would enable it to provide a complete transportation service throughout the area in which it operates. We would permit common ownership between existing agencies, or, if more practical under any given set of conditions, we would permit contractual arrangements as a step to gain the ends sought.

We would not **compel** any of these things. We would afford the legislative **opportunity.** By taking time, under a statute that invited cooperation within the industry, it is my opinion that leadership would respond to that opportunity.

In this equation we deal not only with what is best for the traveler, shipper, and consumer, but also with the private capital of millions of our people already invested in hundreds of separately incorporated transport companies of all kinds. Future national policy must treat just as fairly with investors in the smallest agencies as with those in the largest. No act of Congress or decision of a regulatory body should prefer the private capital of any one group of investors at the expense of another. Certainly, no use of government credit should do so

Progress under permissive law may not be as slow as some predict. We must appreciate that the whole concept of regulation for 50 years, with the exception of the civil aeronautics act, has been punitive and restrictive—as witness the present suits against the railroads under the Sherman act of 1890.

Transportation Systems

Over the years, "competitive transportation systems" should be so constituted as to accomplish the following:

a. Preserve competition between systems—between the different types of facilities operated by such systems.

b. Demonstrate, by actual operating experience, the adaptability of one type of facility or another in a particular economic sphere. This aim can never be attained by regulation.

c. Coordination of services and facilities. One type of service would support another at the least possible expense.

d. Elimination of waste and duplication in facilities and services, of excesses in capital outlays, both private and government.

e. Gradual consolidations as economic conditions warrant.

f. Common carriers would be placed, as nearly as practicable, in an economic position to offer the shipper the same type of service at no greater cost than he now performs it for his own account. The real competitor—the real deterrent to any form of monopoly—is the private carrier. Soon the impact of privately owned facilities will also be felt by commercial air lines.

g. Private investment in the common-carrier industry would be fortified by the maximum support that it is possible for regulation to afford—a support **derived from the earnings of all types of facilities.**

h. The benefits of government expenditures on the public domain—waterway, highway and airways—would be spread over all forms of transportation.

The Transportation Association of America believes that transportation facilities are "tools"—that national policy should be so designed that each tool should be utilized where it can perform the most efficient service for the public at the lowest possibile basis of rates.

An Alternative

In offering this recommendation we suggest one of two alternatives. The other, sponsored by the National Resources Planning Board, provides for government purchase of railroad rights-of-way and terminals—making them a part of the public domain and leasing them back to private operators. Once we embark on such a course there would be no retreat from inevitable government ownership.

Of course, there is the half-way proposition, inconsistent as it is with the system of private ownership. We might waive all property taxes on railroads. If we continue to pursue a national policy that compels competition between types of facilities, the question of railroad property taxes will become a major issue. It would be well to anticipate what it means. Such relief would, for example, place the Grand Central and Pennsylvania stations in New York on a parity with LaGuardia Airport, providing the rental charge for the use of the airport compensated fully for its upkeep, operation, and the payment of interest on the entire public investment.

Inept Regulation

In conclusion, let me emphasize that Congress might go to unusual lengths to formulate a most perfect statute, yet utterly fail to accomplish its intent because of inept and inefficient regulation. I believe the time has arrived to overhaul completely the structure and methods of regulation. In 1938, Congress divided this function between two governmental agencies—the Interstate Commerce Commission and the Civil Aeronautics Board. It has likewise delegated promotional activities for airways to the Civil Aeronautics Authority, for highways to the Public Roads Administration, for waterways to the Maritime Commission. There is no agency promoting railroads. And, there are many water carriers who now seek a special regulatory body of their own.

These governmental agencies compete with one another in an effort to protect and advance the interests of their own form of carrier. They have no responsibility whatever to the public interest in adequate and efficient transport services as a whole. There is no coordination as to either policies or activities among any of them. It would be difficult to visualize a more haphazard and inefficient hodge-podge of regulatory and promotive controls.

There should be one regulatory body dealing with all domestic common carriers. Its structure of organization, and the conduct of its function, should be geared to keep apace with the fast-changing economy of a post-war world.

From the report of the Standing Committee on Commerce of the American Bar Association annual meeting — Los Angeles, Calif., July 15, 1935:

"The advance should be in another direction. It is now universally recognized that all forms of transportation have a useful place in the national system, and that the problem is so to coordinate and integrate them that the public may best be served. As it is frequently put, we need transportation systems rather than railroads, boat lines, or bus and truck lines. And unless these transportation systems are of sufficient strength, the public service will suffer."

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Nat'l Economic Activity in 1945

(Continued from first page)

grams and the necessary readjustments which industry must make—readjustments which will continue to characterize the economy for the next 2 or 3 years.

The effects of these transitional changes on purchasing power and employment should not be viewed with too much optimism. On the contrary, the trends must be watched very closely in order to prevent possible serious adverse consequences. For this reason a periodic analysis of the prospects in some detail and in quantitative terms provides an indispensable tool in correctly appraising the trend of economic developments.

As a guide to the near-term prospects, this article sets forth a quantitative evaluation of the general economic tendencies during the remainder of 1945, with indications of the position at the year-end and its implications on the direction of economic activity during 1946.

These projections are not intended to be predictions in the sense that analysts have a special insight into the future. Rather they are to be thought of as a series of judgments based on current available information on government and business plans and on a knowledge of the interrelated effects of economic factors as shown by past experience.

Basic Economic Problems

The ending of the war in Europe in May highlighted two basic economic problems. First, the necessity for constantly reviewing the war production program and tailoring it to the material needs for prosecuting a speedy and successful campaign against Japan. And, second, allocating the resources which are freed from war use for the production of civilian goods. The speed and the manner with which these two problems are solved will shape the trend and character of our national production for many months to come.

At the present time the war program is not firm. In recent months downward revisions have characterized the changes in the program and a degree of firmness cannot be had in its composition and size until the armed services have completely surveyed and determined their needs for the war in the Pacific. As a consequence, the reconversion signals which industry has been given by the government so far have been spotty and uncertain in their effects. For the same reasons consumers are confused as to the prospects for new civilian goods.

These uncertainties, however, are not particularly important in an evaluation of the trend for the remainder of the year. Only a quick acknowledgment by the Japanese government that the time for unconditional surrender was at hand would alter the general future; in that case, of course, the decline in activity would be accelerated beyond that outlined in this article.

War Expenditures

The dominant factor in the economic picture is the volume of Government war expenditures. With the trimming of these outlays to the demands of one-front war, the question to be answered in evaluating the shift in the national product is how rapidly new private investment and the output of consumption goods in short supply can be expanded.

There is still considerable uncertainty as to the volume of munitions production in the last two quarters of 1945. The latest available munition production schedules (as of June 26th) show declines in procurement from the first quarter of this year of 17 and 26%, respectively, in the third and fourth quarters of 1945. Further scaling down of requirements are certain to appear. We have assumed in these projections that the cutbacks from the first quarter's production level will turn out to be 20 and 30%, respectively, in the third and fourth quarters.

The changes in munitions requirements as we shift our war resources from the European to the Pacific theater of operations are shown in chart 1 and in table 1. It is to be noted that cutbacks in the aircraft and ship components are considerably sharper than in the "other munitions" category.

Table 1.—Munitions Production, 1945

(Index, 1st quarter 1945=100)

	Total	Aircraft	Ships	Other munitions
First quarter	100	100	100	100
Second quarter	96	96	88	98
Third quarter	80	72	74	85
Fourth quarter	70	65	53	77
December	66	62	40	76

Source: U. S. Department of Commerce and War Production Board.

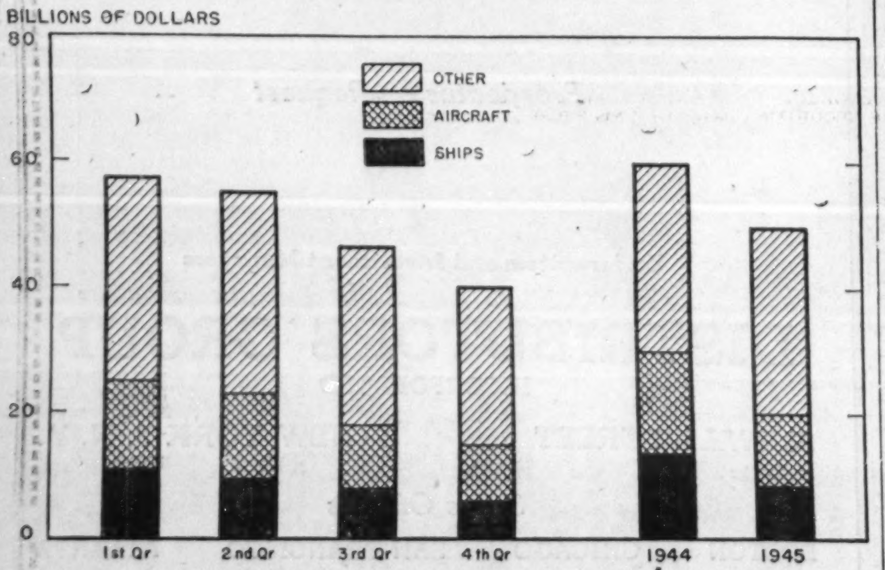
Our recent victories in Okinawa and Iwo Jima, providing bases close to the Japanese homeland, permitted cancellation of a substantial part of the super-bomber program, as operations can now utilize the fleet of shorter-ranged Flying Fortresses and Liberators. Sharp cutbacks were also found feasible in most of our new fighter models now in the experiment stage.

The decline of about 60% in the ship program by the end of this year from the first quarter rate is weighted heavily by a drop of almost 80% in Maritime vessel construction. Combat ships, too, will be sharply curtailed—but ship repair and maintenance is scheduled to increase.

In the other munitions group, extremely sharp decreases in the production of combat vehicles, trucks, and guns, are somewhat obscured by the relatively stable scheduled output of communication equipment, ammunition, and other equipment and supplies.

Chart 1.—Munitions Production

(In August 1943 Standard Prices)



Source: War Production Board.

Government war expenditures for non-munition items are expected to decline by about 10% by the end of 1945—a rate much less than the cut in munitions. This decline will occur chiefly in the outlays for pay, travel and subsistence for the Army which will release about three-quarters of a million soldiers by the year end. Large outlays for foreign relief and rehabilitation plus those involved in the redeployment of our fighting men preclude any sharp reduction in this category.

To sum up, as a result of the defeat of Germany, Government war outlays are expected to be reduced from a peak annual rate of about 87 billion dollars in the first half of this year to a rate of around 65 billion dollars for the fourth quarter, getting down to a lower rate by the end of the quarter. Even with this reduction the Government deficit will continue very large.

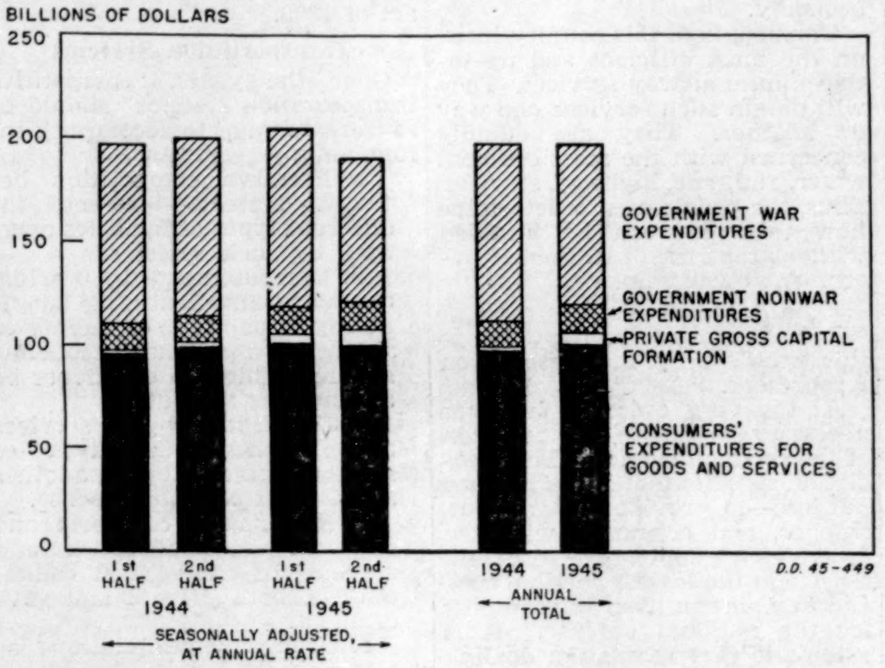
The volume of war expenditures in subsequent periods is, of course, bound to military events. In every likelihood, however, the downward trend evident in 1945 will continue, with only slight retardation until the complete cessation of all hostilities.

Gross National Product

The prosecution of a war requires the most intensive utilization of a Nation's resources. The lengthening of the hours worked per week in nonagricultural industries from an average of 41 prewar to the current average of 45, the abnormal addition of over 7,000,000 persons to the labor force during the war period, and the almost continuous capacity operations of our industrial plants are indicative of the degree to which the resources of this Nation have been mobilized.

This mobilization for war was reflected in three basic changes which have characterized the economy since Pearl Harbor: (1) Sharp increases in the rate of total Government outlays for goods and services, reaching an annual rate of 100 billion dollars in the first half of this year; (2) sharp declines in private investment outlays from the record annual rate of expenditures of 20 billion dollars for gross capital formation in the second half of 1941 to only 4 billion in the first half of this year; and (3) a steady rise in the dollar amount of consumer expenditures which reached an annual rate of 104 billion in the first quarter of this year. Recent changes are shown in chart 2.

Chart 2.—Gross National Product



Source: U. S. Department of Commerce.

These trends are the consequences of the war economy. However, with the military situation such that full mobilization of the Nation's resources is no longer necessary, they must inevitably reverse themselves. This reversal in the direction of the peacetime proportions of the components of the gross national product cannot, of course, get fully underway until complete victory is won.

Thus, the fact that we are prosecuting a major war in the Pacific simply means that these changes will be more gradual than would have been the case if all fighting had ended. If the end of all hostilities should come sooner than expected—for instance, sometime this year—deflationary tendencies will become serious. In these projections it has been assumed as the more probable eventuality that the Japanese war will continue into next year. All Government programming is, of course, on that basis.

As the liquidation of war requirements becomes more pronounced, two divergent tendencies will become apparent. The first will be the attempt on the part of producers and consumers to replenish their holdings of scarce goods, such as producers' plant and equipment, housing, and many types of consumer goods. The second tendency will be the decline in demand for goods now in plentiful supply as the Federal Government's withdrawal from the market results in contracting incomes.

In the first half of this year the gross national product was at an annual rate of 206 billion dollars, two-thirds more than in 1940 after allowance for the price advance. This represents the top for the war period. The decline from the first to the second half of this year is estimated at about 7%, to about 192 billion dollars, at seasonally adjusted annual rates. The gross national product for 1945 as a whole, therefore, is expected to be about equal to the 1944 total of 199 billion dollars. Table 2 shows the expected changes in the gross national products by categories.

The only major change between the two halves of the year is in government expenditures, offset in part by increased private expenditures for capital goods. Government expenditures in total will not go down so sharply as war expenditures, since Federal nonwar and state and local expenditures will increase from now on because of larger Federal interest payments and a resumption of government outlays for deferred public works.

Most important will be the changes in housing, business investment in plant and equipment, inventories, net foreign balance and consumer durables, since their expansion will determine the extent to which the gap created by the reduction in war expenditures will be filled.

Private Gross Capital Formation Outlook

For some time, the rate of capital expenditures will be dependent upon the ability of industry to meet the needs for housing and for business capital goods. In other words, the problem will be one of supply of wanted goods. In addition to problems of conversion of plant and equipment, continued difficulties in securing materials, such as steel, lumber, and paper, will delay the expansion in the output of goods for civilian use.

Despite the limitation on output, total expenditures on private gross capital formation in the second half of the year are expected to exceed those in the first half by two-thirds, although this would still be only one-third of the peak rate of 1941.

Even in the face of the huge demand existing for private housing and plant, the increase in construction expenditures will be limited this year. Shortages of materials, the continued needs by the armed forces for other resources utilized in such projects and the difficulty of getting plans out of the "blue print" stage so late in the year, are the factors that will prevent a substantial increase in private construction activity.

These factors will also limit the volume of expenditures on producers' equipment. The total of construction expenditures (other than housing) and producers' durable goods is expected to increase from an annual rate of 6 billion dollars to about 7.5 billion by the end of the year, of which about 3 billion represent outlays by manufacturers. More would be spent in the absence of supply limitations.

A significant shift in the trend of inventories is indicated in view of the current deficiencies in business inventories relative to the volume of business being done. For over a year manufacturers, particularly those engaged in war production have been liquidating their raw materials and goods in process stocks. This liquidation was halted in recent months.

Further reduction in inventories of war goods accompanying contract cancellations will be more than offset by the building up of inventories of civilian goods including transferring war inventories for civilian use. Thus in the second half of this year the value of business inventories is expected to increase on a net basis by one-half billion dollars and the accumulation will be more rapid in 1946.

The final component of gross

*Table 2.—Gross National Product or Expenditure

(Billions of dollars)

	1944		1945		Year	
	First half	Second half	First half	Second half	1944	1945
	Seasonally adjusted annual rates					
Total	197.4	200.1	206.0	192.0	198.7	199.0
Government expenditures for goods and services	100.6	98.1	100.5	84.5	99.4	92.5
Federal government	93.2	90.7	93.2	77.0	91.9	85.0
War	87.4	85.2	87.0	70.0	86.3	78.5
Nonwar	5.8	5.5	6.3	7.0	5.6	6.6
State and local government	7.4	7.4	7.4	7.5	7.4	7.5
Private gross capital formation	1.2	2.3	4.5	7.5	1.8	6.0
Construction	1.6	1.6	2.0	2.3	1.6	2.2
Producers' durable equipment	3.8	4.2	4.4	5.3	4.0	4.8
Net change in business inventories	—1.6	—1.9	— .7	.5	—1.7	— .1
Net exports of goods and services	—2.7	—1.5	—1.2	— .7	—2.1	—1.0
Consumers' goods and services	95.7	99.6	101.0	100.0	97.6	100.5
Durable goods	6.5	6.9	7.2	8.0	6.7	7.6
Nondurable goods	58.6	61.4	62.0	60.0	60.0	61.0
Services	30.6	31.3	31.8	32.0	30.9	31.9

*Detail will not necessarily add to totals because of rounding.

Source: U. S. Department of Commerce.

capital formation is the net change in foreign balance. The net exports of goods and services on current account are estimated at a debit of 1.2 billion dollars (at annual rates) in the first half of this year. Since the adjusted* cash exports and imports were almost exactly in balance, the debit reflects the net Government transactions abroad.

The return of a sizeable number of our troops from the European theater to this country for redeployment or discharge will result in a decline in the net military disbursements abroad in the last half of 1945. The trade balance is expected to be slightly favorable in the latter part of 1945, although the extremely tight shipping situation during this period makes any large changes in the balance unlikely. As a result of these shifts the net foreign balance will show a smaller debit in the second half of the year.

Consumer Expenditures

The volume of consumer expenditures for goods and services in the remaining months of this year will be conditioned almost entirely by the available supplies. Only in certain limited areas such as the more expensive items of food and clothing and goods now in plentiful supply will demand be an influencing factor in limiting purchases. There is no question, however, that for the bulk of the consumption items demand will exceed the supply.

Two distinct tendencies can be expected to develop in the expenditures for durable goods and for nondurable goods. Expenditures for durable goods will increase as new supplies of scarce commodities become available. In the second half of this year, however, the increase in these expenditures will be relatively small. The total output of new passenger automobiles this year, for example, will represent a very small fraction of peacetime production. More electrical household appliances and furniture will be available but these items will not be produced in significant quantities until 1946. Consequently, while consumer durable goods expenditures will increase during the second half of the year the gain is not expected to be more than 10%.

The aggregate dollar expenditures on nondurable goods will vary in accordance with consumer incomes. This is in conformity with past experience. The decline in the gross national product during the second half of the year will be reflected in reduced incomes received by individuals. A cut in incomes of consumers will result in a decrease in those nondurables that are in plentiful supply or are high-priced. Demand for other types of nondurables will continue strong. In total, only a moderate decline of about 3% is expected in the second half of the year from the yearly rate of 62 billion dollars in the first half.

Consumer expenditures for services, on the other hand, are expected to continue at about the same rate as in the first half of the year since the demand for such services as laundry, transportation, and domestic help will exceed the supply for some time to come.

Thus, the retail and service trades can be expected to experience a volume of business in the second half of this year which will be almost as large as in the first half.

Two important factors which will affect consumer expenditures are the trend in retail prices and the prospective shift from purchases of higher-priced goods. No attempt has been made in this study to analyze price movements in detail. However, no significant change is expected in the general price level from the current position. This does not imply stability of all prices but rather that the price changes which occur will be almost offsetting.

During the war, the shift toward the purchase of higher-priced goods or trading-up has been responsible for a considerable amount of fluff in the dollar expenditures of consumers. As incomes decline and as lower-priced goods become available consumers will trade down to prewar patterns. It is this latter development which will account for a large part of the expected decline in the dollar expenditures, particularly for nondurable goods.

National Income

Since the national income essentially reflects the accounts on the income side of the national ledger, its behavior in the two halves of this year will parallel that of the gross national expenditures.

However, because national income is measured exclusive of Federal corporate income taxes, the extent of the decline will be cushioned during the second half of the year. This is due to the fact that the major part of the temporary losses that will be realized by those corporations undergoing extensive reconversion will be reflected in reduced Federal excess profit taxes.

National income in the first half of this year reached an estimated annual rate of 166 billion dollars. The annual rate for the second half of the year is expected to fall to 155 billion dollars, being less than this at the year-end.

It is estimated that wages and salaries will fall about 7% from the first to second half of 1945. About half of this drop is attributable to increased unemployment, while the remainder will reflect the elimination of part of the overtime pay, and the movement out of high income war occupations.

The major decline in the total wages and salaries will be in manufacturers' pay rolls, while slight declines in wage payments in the Federal Government, mining and transportation are expected to be offset by increases in construction, trade, and the service industries.

The drop in the expected volume of farm marketings will find reflection in the net income of farm proprietors. In view of the decline in production, corporate profits in the second half of the year are expected to drop although their volume will continue to exceed that of the most prosperous peacetime years. The remaining share of the national income, interest and net rents, will be moderately higher in the second half as the Federal Government continues to operate at a deficit and thereby increases its debt charges, while net rents and royalties will be fairly well maintained.

Disposition of Income

The flow of income payments to individuals is expected to be reduced by about 9 billion dollars (at annual rates) between the two halves of this year—some 2 billion dollars less than the decline in the national income. This divergence is due chiefly to the increasing volume of mustering out pay to discharged soldiers, larger unemployment benefit payments, and to the fact that reduced corporate income will not be reflected in a corresponding shrinkage in dividend payments.

The decline in the disposable income of individuals from the first to second 6 months of this year will also benefit from a cushioning factor. This factor is the anticipated sharp reduction in personal taxes between the two periods. This decrease will be caused more by the nonrecurring exceptionally high payments in the early months of 1945, than to the reduced liabilities concomitant with lowered incomes.

For the year as a whole, income payments to individuals will be slightly more than in 1944, but higher tax payments will leave them with the same disposable income.

Net savings of individuals for the year will be less because they will spend about 3 billion dollars more out of about the same disposable income (see table 4).

Changes in the Labor Force

Throughout the two-front war phase, the major emphasis in the utilization of the labor force was channeling our unemployed, nonworkers, and workers in less-essential civilian pursuits into the munition plants and armed services. The urgency of the war production program necessitated the implementation of this policy by a sharp increase in the length of the workweek.

The economic readjustments following victory in Europe require a reversal of this policy. The size of our armed forces is above that needed for the Japanese war. Some of our heavy manufacturing industries have been expanded far beyond the productive capacity that can be utilized in the civilian market. Other war industries require extensive and time-consuming reconversion before they can be adapted to peacetime needs.

On the other side of the ledger, expansion is made possible in those industries which had been shunted aside by the full-war economy. Long deferred demand for housing and other construction can now become effective. Trade and service establishments must gradually restore the efficient services and courtesies to which consumers had become accustomed in prewar years. The accelerated downward trend in agricultural employment will be somewhat abated. And it must be remembered that a pervading factor in all civilian industries will be the gradual reduction in hours worked per week.

However, on balance, these changes (shown in chart 4) will result in lowered employment,

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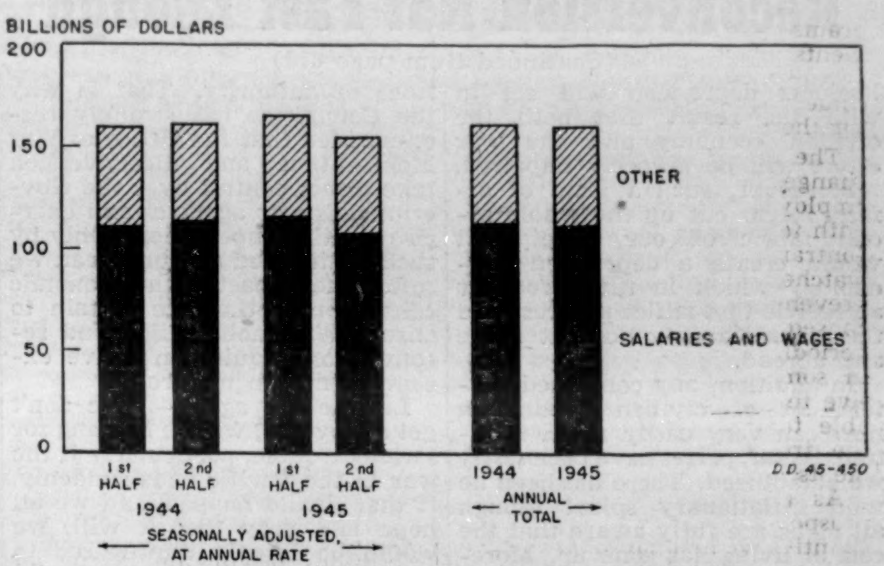
*Adjusted for transactions (such as cash reimbursable lend-lease) not recorded as cash exports or imports in the official U. S. Trade statistics.

Chart 3.—National Income



Source: U. S. Department of Commerce.

***Table 3.—National Income by Distributive Shares**
(Billions of dollars)

	1944	1945 First half	1945 Second half	1945 Year
		Seasonally adjusted annual rates		
Total	160.7	166.0	155.0	160.5
Total compensation of employees	116.0	119.0	111.0	115.0
Salaries and wages	112.8	115.8	108.0	111.9
Supplements	3.2	3.2	3.1	3.1
Net income of proprietors	24.1	25.5	24.3	25.0
Agriculture	11.8	12.7	11.5	12.1
Nonagricultural	12.3	12.8	12.7	12.8
Interest and net rents	10.6	11.4	11.5	11.5
Net corporate profits	9.9	10.0	8.0	9.0
Dividends	4.5	4.6	4.5	4.5
Savings	5.4	5.4	3.5	4.5

*Detail will not necessarily add to totals due to rounding.

Source: U. S. Department of Commerce.

***Table 4.—Disposition of National Income**
(Billions of dollars)

	1944	1945 First half	1945 Second half	1945 Year
		Seasonally adjusted annual rates		
National Income	160.7	166.0	155.0	160.5
Add: Transfer payments	5.3	6.0	6.7	6.3
Less: Corporate savings	5.4	5.4	4.5	5.0
Contributions to social insurance funds	3.9	3.9	3.7	3.8
Equals: Income payments to individuals	156.8	162.7	153.5	158.0
Less: Personal taxes and nontax payments	19.3	23.0	18.0	20.5
Equals: Disposable income of individuals	137.5	139.6	135.5	137.5
Less: Consumer expenditures	97.6	101.0	100.0	100.5
Equals: Net savings of individuals	39.9	38.5	35.5	37.0

*Detail will not necessarily add to totals due to rounding.

Source: U. S. Department of Commerce.

(Continued on page 638)

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AUGUST 8, 1945.

Reconversion Not Fast Enough

(Continued from page 618)

business depression will set in with the result that both the civilian economy and the war effort will be severely impaired.

Moreover, such a state of affairs might cut up the whole social fabric of our society. It would create a depression psychology which in turn produces an inertia that stifles progress and threatens stability both at home and abroad.

In addition, any continued curtailment of civilian production now can very easily mean inflation. So far, prices have been fairly well stabilized. There has been no wild inflationary spiral though all of us are fully aware that the cost of living has gone up. Moreover, this rise has caused considerable hardship in many individual cases.

If we should now continue in a period of scarcity of civilian goods, the pinch would grow much tighter. A bigger proportion of pre-war goods would wear out. And the temptation to buy would be greatly increased. We can be almost certain that we cannot continue to stabilize the cost of living unless reasonable amounts of civilian goods are made available soon.

Also, we must remember that a prolonged drought in civilian production brings widespread dislocation and often ruin upon the trades and services who are dependent upon consumer goods. The local tradesman, the wholesaler and the jobber do enormous business and once you impair or destroy their facilities for fast and cheap distribution, it is very hard to build them up again.

It is imperative that we achieve a coordinated balance so as to dovetail Pacific war production with our production for civilian use.

In this connection, our Committee has found that the reconversion job to date has not moved nearly fast enough. Planning has been delayed. Cutbacks have not been expedited. Sufficient raw materials have not been furnished. Industry has not had enough information to make plans. And manpower has been lacking, even though in many instances a few thousand workers would fill the particular need.

Government has Failed to Help

In addition, the Government has failed to give the help that business and industry require to reconvert quickly. Too often problems have remained unsolved because this Government agency or that one has gotten all tangled up in red tape or in jurisdictional lines of authority. That is why the Committee has strongly recommended that the Office of War Mobilization and Reconversion take direct control over the Government's war agencies and exercise positive supervision. Only by such centralized authority can we soften the impact of the economic consequences that are certain to ensue. War mobilization and reconversion require an active executive, not an umpire.

Let me say again—if we don't get a move on, we are heading for serious trouble, particularly if the war in the Pacific ends suddenly. If that should happen, and we all hope and pray that it will, we would be largely unprepared to cope effectively with the many home economy problems. Reconversion would not have progressed far enough to absorb the manpower that will suddenly be released. Government work programs, designed to cushion the shock, would not have been established. We would probably experience widespread unemployment.

Remove Wartime Restrictions

Moreover, we know from long experience, that America prospers best when hampered least. We must not impose upon American industry and American labor any unnecessary plan loaded up with complicated rules and complex regulations. Those controls and restrictions now in force should be lifted just as soon as possible without injuring the war production effort. We should do this because controls have a tendency to become permanent and if that happens we will have the very form of government we are fighting to destroy.

Fundamentally, it amounts to this: One—we must not prevent the use of surplus commodities. Two—we must refrain from setting up unnecessary regulations and controls which will hamper reconversion in the early and difficult stages. Three—we must avoid any plan for regimenting peacetime production in the future.

If we plan well and plan intelligently, the new production can flow out in a natural course, and industry can readily adapt itself to the progress of the war. By artificially stemming the flow, even when it is only a small stream, we only invite delay and difficulties.

In this same connection, I would like to stress the necessity of making full provision for including small and intermediate business in the reconversion program. Small business has already suffered greatly from the war program. And yet small business employs about 45% of the nation's labor force. Therefore, it is essential that small businesses be allowed to manufacture civilian items as soon as possible, if they are located in areas where the labor supply is not tight, if there are no war contracts for them to take and if materials are in free supply.

The industrial future of the United States depends upon her ability to produce efficiently and produce in quantity. Our war effort requires a strong economy. However, our future way of life also must be based on an economy of plenty.

Allow me to read to you a section of the Committee's report regarding the outlook for the immediate future:

"The automobile industry, which was devoted to the production of airplanes, tanks and heavy equipment, has begun reconversion to produce a maximum of 241,916 passenger automobiles in 1945. It is unlikely that very many of these units will be completed until well into the fourth quarter of this year. The industry is of the opinion that progress thus far has been slowed in many cases by the failure of Government agencies to coordinate with the program approved by the War Production Board, as well as with the very slow start on preparation for reconversion. . . .The industry is unable to plan full reconversion unless it knows what materials will be freed by additional cutbacks in the military program.

"The mechanical refrigerator industry has been largely devoted to the manufacture of machine guns, gun turrets, gyroscopes, propellers, carburetors, and other light complex items. Much of its work has been completed. Although 265,000 refrigerators have been authorized for the third quarter of 1945, production will be limited by the availability of electrical equipment, protective coatings, and sheet steel. The units produced in 1945 probably will be used to fulfill the demands of essential users such as hospitals, and it is unlikely that many refrigerators will be available through normal trade channels until early in 1946 to satisfy the estimated private home demand of more than 5,000,000.

"Typewriter manufacturers have in the main produced bomb sights, fuses, rifles, pistols, fire control components, and similar items. It is expected that this industry will produce 100,000 typewriters during the third quarter of 1945.

"The vacuum cleaner industry has been devoted to the produc-

(Continued on page 639)

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MORGAN STANLEY & CO.

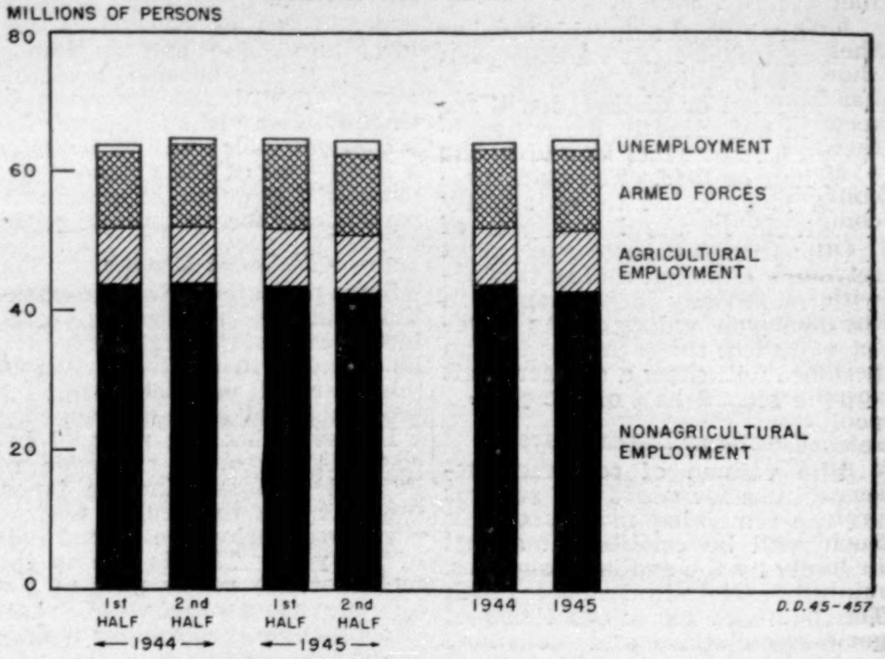
August 9, 1945.

Nat'l Economic Activity in 1945

(Continued from page 637)

both civilian and military, and increased unemployment. The actual volume of unemployment will be difficult to measure because of the large number of workers now in the labor force who will eventually withdraw. The decline in employment in war manufacturing industries from the first to second half of this year is indicated in chart 5.

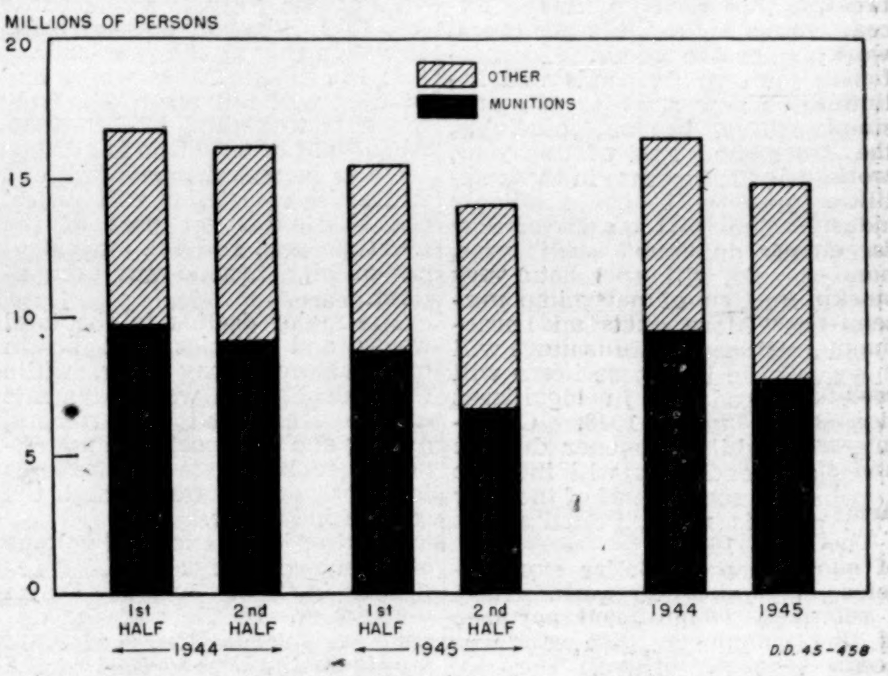
Chart 4.—The Labor Force [1]



[1] Data are monthly averages for all periods and include all persons 14 years of age and over, but do not include institutional population. Agricultural employment for the half-year periods is adjusted for seasonal variation.

Sources: U. S. Department of Commerce, except data for the "Armed forces" through May 1945 which are from the U. S. Department of Labor.

Chart 5.—Employees in All Manufacturing Industries [1]



[1] Data are monthly averages for all periods and include all full-time and part-time wage earners and salaried workers who are employed during the pay period ending nearest the 15th of the month. "Munitions" includes all metal-using industries, the rubber industry, selected chemical industries, and Government-operated navy yards and manufacturing arsenals.

Sources: U. S. Department of Labor through May 1945; thereafter, estimates of the U. S. Department of Commerce.

To sum up, unemployment will rise until industry gets well underway on reconversion to peacetime products and the supernormal entries into the wartime labor force have withdrawn. The decline in employment by the end of this year, however, will be relatively less than the fall in income. The problem of unemployment, however, will become somewhat more serious after VJ-day when the rate of demobilization of the armed forces is stepped up.

Conclusion

Although some deflation in production and income will occur during the last 6 months of this year, business conditions and profits will continue favorable. This year as a whole will show about the same totals of product and income, with little change in the relative income shares and no striking changes in the distribution of the final product. The trend during the year will, however, have been reversed—from rising to declining. How far the decline will carry will not be answered this year, and probably not in 1946. The major policy problem confronting business and government, related to the volume of output and income, is how reconversion can be speeded. More goods for civilians is the answer to the reemployment problem.

Heads Business Bureau

The directors of the Better business Bureau of New York City have elected Sheldon R. Coons, business consultant, as its President, and Wm. M. Holmes, President of Bonwit Teller, Inc., and Edwin S. Friendly, Vice-President and General Manager of the New York "Sun," as Vice-Presidents. Spencer Greason, Treasurer and General Manager of Brooks Brothers, was re-elected Treasurer of the Bureau. H. J. Kenner was reappointed General Manger and William P. Collins was reappointed Recording Secretary.

Mr. Coons has been identified prominently with the work of the Better Business Bureau since its founding in 1922, serving as a member of its board and executive committee since 1928 during which time he was vice-president of Gimbel Brothers and of the Lord & Thomas advertising agency. Now consultant to leading industries, Mr. Coons is especially qualified to lead the Bureau in the enlarge program which it has recently announced.

Reconversion Not Fast Enough

(Continued from page 638)

tion of aircraft parts, electrical devices, gas masks, and miscellaneous items. This industry should reconvert relatively swiftly. However, it is not likely that much of the domestic demands for more than 4,000,000 cleaners will be met before 1946."

I could cite other products but these examples are enough to show that although a beginning has been made, we must raise our reconversion sights to much higher levels. And I don't mean this as a general proposition only. Reconversion must be spelled out in complete detail.

Otherwise, we will find ourselves in a full peacetime period without having successfully met the problems of the one-war, or let us call it, the hybrid economy period. For example, the various responsible war agencies must pool their efforts to permit the release from the armed forces of a limited number of men whose services are essential to the prompt reconversion of industry. Such men are critically needed in lumbering, transportation, coal mining, cotton textiles and steel. The point is that in these categories men are needed, not next month or next year, but right now. And they can be provided, but only if clear, simple policies are formulated and speedily carried out. If we don't get the extra railroad help required, the transportation system is in danger of breaking down. If lumber men, coal miners, textile and steel workers are not provided in sufficient numbers, during this preliminary reconversion period, we simply will not be ready to handle the tremendous release of war workers and soldiers when hostilities cease, because the various industries will not have progressed far enough to absorb such large numbers. On the other hand, by stockpiling raw materials and semi-finished products and producing within the full limits of a one-war economy, we can absorb the post-V-J Day demobilization shock and move from there into a period of great prosperity and stability.

Army Can Release the Manpower

The Army has a great reservoir of men which it is very slow in releasing. Industry requires only a relatively insignificant portion of this manpower. But what it needs, it needs urgently. With their help, enough additional sheet steel could be made to fill all the immediate needs of reconverted industry. For example, 2,000 more trained steel workers would make all the difference. We must utilize our labor skills to the fullest because the future of our veterans and our workers must be protected.

We have only to recall our achievements in the past few years to realize that the job ahead, although difficult, is made to the measure of the American people. No matter how we look at it, our war production program has been a tremendous success. History has never before recorded such an effort.

For example, by the end of 1944 we had produced 250,000 airplanes, nearly 57,000 naval vessels, 85,000 tanks, nearly 3,000,000 tons of ground artillery ammunition, and 37,000,000,000 rounds of small arms ammunition. This only tells a part of the story.

In abundance, we have poured out supplies of food and weapons not only to our own Army and Navy but to those of our allies. Great sacrifices have been made. However, from a material standpoint, we have suffered no privations, nor up to this time, has our own home economy been seriously impaired. We have been able to maintain a good standard of living at home. We can all be proud of this accomplishment. Yet we cannot relax our efforts. We must produce for peace as we are producing for war.

Natural Resources Threatened

In this connection I would like to stress another observation made in our Committee's report. We have noted that our natural resources have been seriously depleted by this war. Competent authorities have cautioned that we cannot "oil another war". Our known continental supply of crude oil will be exhausted in as little as 12 years at the expected rate of peacetime consumption. Moreover, the rate of new discoveries is decreasing. Our reserves of high-grade iron ore could run out in 8 years at the present rate of use. We have been cutting lumber faster than its natural rate of re-growth.

These are only a few of the precious raw materials that have been consumed. There are many others, like crude rubber and tin, which are not obtainable in this country and have to be stockpiled. We must see to it that we build up stocks of such strategic material which we cannot obtain freely here. And we must stock enough so that we will never suffer again for lack of them.

Let us also bear in mind that we have built up enormous surplus supplies abroad. And yet, to date, we have not made the most of the great prestige overseas which we have acquired as a result of our huge outpouring of production. Our surpluses abroad and the immense potential of the credit which we have yet to extend to other nations comprise a force for good which we have not even begun to utilize.

We can no longer afford to expend our dwindling raw material resources or the products of our factories except to accomplish specific aims. We are fighting for world peace, and certainly to help achieve that goal we must be efficient in the administration of all our activities abroad. Because of this, our Committee has strongly urged that the various civilian agencies in Washington, now dealing with foreign governments and peoples, be firmly integrated under the Secretary of State.

Let us remember that in less than 50 years we have been engaged in three major wars. We have won each time primarily because we were able to outproduce the enemy. However, each time we have been poorly prepared when war came upon us. And each time we have been slow in getting started. Only by our tremendous capacity and by the industrial momentum we were able to generate could we carry through to victory. However, can we be sure that we will be as fortunate again? If there is a next time we may very well be the first target. Our future national security depends upon an adequate peacetime program of preparation against attack. And this involves many things.

Need More Technological Research

Technological research, for example, has become more and more important. New inventions and new weapons, formerly considered fantastic, have not only become realities but they have frequently meant the difference between defeat and victory. We have led the world in such scientific pursuits, yet all of us shudder when we think of the improved and advanced weapons of destruction which the Nazis had under development at the time of their downfall.

Speaking for myself I would like to mention that a government-sponsored survey, conducted in 1944 by the National Roster of Scientific and Specialized Personnel estimated industry's accumulated demand for scientific and technological personnel at about 40,000 by June of 1944. This is about the number normally graduated from American colleges in about 18 months. Thus, industry was about one and one-half years behind at that time in recruiting its forces to meet new demands and in recovering its losses to the armed forces.

Another survey discloses that the demand of post-war personnel for industrial laboratories will be far above 1940 levels, varying from 60% for the larger concerns to 250% for the smaller ones.

In the field of medicine, approximately one-third of the nation's 180,000 doctors are in the armed forces. Moreover, it is estimated that only about 16,000 additional physicians will be available to meet a need estimated at 35,000. A similar situation exists in the dentistry profession. Instead of the normal 2,000 enrollment, this year will see fewer than 400 starting dental education.

In engineering, training is only about 18% of normal. In the fields of physics and chemistry, the number taking graduate training has fallen off by about 25% since 1941.

In the future, we must compensate for these losses. Other countries have been more sparing in their technological and scientific students. As a matter of fact, even in our own country, enrollment of foreign students in our technological colleges is far above prewar levels. We must not only encourage more and more of our young men to enter these fields, we must make it more attractive for them to do so.

I could cite many other examples showing that our various resources of strength have been seriously depleted.

Our strongest argument for world peace is an invincible national defense organized and administered without thought or sign of aggression. We must do this because our first line of defense lies in making it impossible for aggressor nations to prepare for war.

In the meantime, we must take stock of our position. I have tried tonight to point to the serious problems ahead. They must be met head on and solved.

Our economy has proved that with the proper assistance from the Government, it can support a great Army and Navy without devoting as much of itself to war production as is necessary in less efficient countries.

We can readily and properly support the military establishment and at the same time greatly increase our vigor at home.

America has a great future. We must square up to the job of securing it.

Truman Signs Bretton Woods, Export-Import and United Nations Food Legislation

The signing by President Truman of the legislation enacted by Congress providing for the so-called Bretton Woods Monetary Plan, the bill increasing the lending power of the Export-Import Bank, and the measure authorizing participation by the United States in a United Nations Food and Agriculture Organization, was made known by the White House on Aug. 5. The bills were approved by the President while he was returning from the Big Three conference at Potsdam (Berlin). The Bretton Woods bill would provide for nearly $6,000,000,000 for a World Bank and an International Fund designed to promote post-war trade and stabilize exchange rates in accordance with an agreement worked out by 44 nations at Bretton Woods, N. H., last summer. The other measures would:

Increase from $700,000,000 to $3,500,000,000 the lending capacity of the Export-Import Bank to help with reconstruction when the fighting stops.

Enable the United States to join a United Nations Food and Agriculture Organization, with annual dues expected to run up to $1,125,000, which will try to put the world on a better diet.

Associated Press advices from Washington, Aug. 5, added:

The Administration backed all three measures as essential to putting strong economic and social props under a United Nations league intended to maintain lasting peace.

The United States was the first country to ratify the Bretton Woods plan for a $9,100,000,000 bank for reconstruction and development, and an $8,800,000,000 Stabilization Fund.

They will begin operating when countries contributing 65% of the total fund have ratified, and that may take a year or more.

This country will hand over $3,175,000,000 to the Bank and invest $2,750,000,000 in the Stabilization Fund.

The Bank will make loans directly to finance productive enterprises, particularly in war-wrecked areas, and guarantee private loans for such purposes.

From the Stabilization Fund, member countries could buy currency of other nations to pay for imports. But the members will have to fix the value of their own currencies in terms of gold and not change it more than 10% unless the Fund approves.

The extra lending authority for the Export-Import Bank will be used to stimulate foreign trade and reconstruction after lend-lease stops and before the international bank opens for business.

The approval by Congress of the Bretton Woods plan was noted in our issue of July 26, page 405. The World Food Plan was referred to on page 443 of the July 26 issue, while a reference to the Export-Import Bank appeared in these columns July 19, page 331.

Public Utility Securities

(Continued from page 622)

refunding savings and reduction in Federal taxes when EPT are eltiminated. The first preferred on a $4 dividend basis (replacing the present $5) would require $1,400,000 for dividends, leaving a balance of equity earnings for Niagara Hudson Power of $7,000,000 (assuming that the net income reservation amounting to $1,476,000 last year can be eliminated in the recapitalization program). Since BNE would represent a sound operating system, earnings could probably be capitalized by a multiplier of 15, making a value of $105,000,000, or $42,000,000 net gain for Niagara after allowing for its $63,000,000 added investment. This would seem to be an excellent result so far as Niagara is concerned, since its earnings equity in the old company ranged around $1-$3,500,000 in the prewar period 1937-40.

This advertisement appears as a matter of record only and is under no circumstances to be construed as an offering of these securities for sale, or as a solicitation of an offer to buy any of such securities. The offering is made only by the Prospectus.

150,000 Shares

W. T. Grant Company

3¾% Cumulative Preferred Stock

Par Value $100 Per Share

Price $100 per Share

(plus accrued dividends from July 1, 1945 to date of delivery)

Copies of the Prospectus may be obtained in any State from such of the several Underwriters, including the undersigned, as may lawfully offer the securities in such State.

LEHMAN BROTHERS

August 8, 1945.

Mutual Funds

New Funds

National Securities & Research Corp. has announced two new **National Securities Series.** They are **Selected Groups Series** and **Speculative Series** and the offering on them will be opened August 15 at an initial price of $5.00 per share for each Series.

Selected Groups Series is something new in the investment company field. The portfolio will consist of issues of not less than three nor more than five of the industry groups represented in the eligible list which contains a total of 12 industry groups with 448 issues. Selected for the initial portfolio are four industry groups and 49 issues, the groups being automotive, building, household and office equipment and railroad equipment.

Two important steps will be followed in managing the investments of this series. First, investments will be confined to those industry groups which appear most attractive, and second, the selection of individual issues within each group will be limited to those securities which appear to offer better-than-average market possibilities. In this series "opportunity for appreciation is the primary objective."

Speculative Series has an eligible list containing 14 bonds, 25 preferred stocks and 78 common stocks. All of the issues in the list have been selected for a high return and that is the primary objective of this series. The initial portfolio will contain 7 preferred stocks and 39 common stocks with an estimated current return of 8%.

Both Series will pay dividends quarterly and a special dealer concession of 7% will be in effect from the initial offering date, August 15, 1945 to close of business October 15, 1945.

* * *

We have received Prospectuses on the two new funds sponsored by **Investors Syndicate** of Minneapolis. These new funds are **Investors Selective Fund, Inc.** and **Investors Stock Fund, Inc.** Initial offering price on each was $10.70 per share.

Railroad Equipment Shares

A Class of Group Securities, Inc.

Prospectus on Request

DISTRIBUTORS' GROUP, INCORPORATED
63 WALL ST. · NEW YORK 5, N. Y

We announce the formation of

INVESTORS STOCK FUND, INC.
INVESTORS SELECTIVE FUND, INC.

Prospectuses on request from

INVESTORS SYNDICATE
MINNEAPOLIS, MINNESOTA

Principal underwriter and investment manager

The George PUTNAM FUND of Boston

Prospectus upon request

Putnam Fund Distributors, Inc.
50 State St., Boston

The Knickerbocker Fund

for the Diversification, Supervision and Safe-keeping of Investments

Prospectus on Request

KNICKERBOCKER SHARES, INC.
General Distributors
20 Exchange Place
New York City 5
Teletype NY-1-2439

MANAGEMENT OF
KARL D. PETTIT & CO.

Investors Stock Fund provides an investment in a widely diversified group of securities consisting primarily of common and preferred stocks with the emphasis on appreciation possibilities. Investors Selective Fund, on the other hand, confines its holdings primarily to bonds and preferred stocks with the greater emphasis on stability of income and principal.

"Your Investment"

Our hat is off to **Lord, Abbett** for an organization booklet that is different. Entitled, "Your Investment," it is written and illustrated for the investor who already holds the shares of a Lord-Abbett fund. But it will make interesting reading for anyone who has money to invest.

This booklet strikes a fresh, clean, dignified note which cannot help but impress the reader with the importance and character of the present day investment company field.

Post-war Outlook for Securities

Keystone Corp. devotes the current issue of **Keynotes** to an analysis of certain factors which "appear important in evaluating the post-war outlook for securities." Five factors are cited in the following order:

1. The accumulated demand for goods.
2. The enormous reserve of purchasing power.
3. The low level of interest rates.
4. Likely removal of the excess profits tax after V-J Day.
5. Possible elimination of double taxation of corporate earnings.

"A high level of business activity would have favorable implications for second-grade bonds as well as for preferred and common stocks."

Factors of Strength in the Rails

Distributors Group lists (a) reduction of fixed charges and (b) potential tax refunds as factors of strength in the securities held by **Railroad Bond Shares** and **Railroad Stock Shares.**

Annual fixed charges of the 11 major railroad systems represented in the bond group have been reduced more than $53 million, or 27% since 1936. Potential tax refunds on 14 leading rail stocks in the stock group would provide average "earnings" of $3.55 per share next year assuming break-even operations. These roads could even go in the red $20.31 per share on average and, after tax refunds, they would still break even.

"These figures merely illustrate factors of strength in the rails—they have no bearing on post-war earning power. Independent estimates for the stocks currently held in Railroad Stock Shares indicate earnings of better than $10 per share on average in the first post-war year."

Regular Income

Vance, Sanders, in the current issue of **Brevits,** writes "It is almost axiomatic that a stream which is fed by many tributaries is less likely to go dry than one that is fed by a single spring. This is, of course, one of the basic reasons why investment companies such as **Massachusetts Investors Trust, Massachusetts Investors Second Fund** and **Boston Fund** have been able to pay regular dividends regardless of business conditions; for they derive their income from many hundreds of different companies."

Inasmuch as these three funds pay quarterly dividends at different periods, an investment in all three would provide income payments in each month except January. A table based on an investment of $5,000 in each of the three funds shows the amount of dividends paid last year. Average monthly income from such an investment would have amounted to $42.94.

NATIONAL SECURITIES SERIES

Prospectuses upon request

National Securities & Research Corporation
120 BROADWAY, NEW YORK, (5)

Keystone Custodian Funds

★

Prospectus may be obtained from your local investment dealer or
The Keystone Corporation of Boston
50 Congress Street, Boston 9, Mass.

Financial Reports

Wellington Fund, Inc.—During the six months ended June 30, 1945 enjoyed record growth. Total assets on that date amounted to $21,085,000 compared with $16,138,000 on December 31, 1944.

Keystone Custodian Funds Series B-1 and Series K-2—Net assets of Series B-1 totaled $3,848,287 on June 30, 1945 as compared with $3,030,264 at the beginning of the year. Net assets of Series K-2 advanced to $6,362,765 from $3,461,527 in the first six months of 1945. As of Aug. 2, 1945 combined assets of the 10 Keystone funds exceeded $135 million.

Investors Mutual, Inc.—Net assets rose from $45,915,241 at the beginning of the year to a new high of $60,083,343 on June 30.

Fundamental Investors, Inc.—Net assets on June 30, 1945 totaled $15,797,154, compared with $12,420,423 at the end of 1944.

Union Trusteed Funds, Inc.—Combined net assets totaled $8,193,733 on June 30, 1945 compared with $6,315,554 at the beginning of the year.

New England Fund—Net assets on June 30, 1945 were $2,913,810, compared with $2,790,229 on December 31, 1944.

Bond Investment Trust of America—Net assets were $4,772,753 on June 30, 1945 compared with $3,789.534 at the year end.

Russell Berg Fund, Inc.—Net assets on June 30, 1945 were $304,427. Public offering of these shares was first made on March 20 of this year.

Mutual Fund Literature

Keystone Corp.—Current data folder for August on **Keystone Custodian Funds. . . . Selected Investments Co.**—Current issue of "These Things Seemed Important." . . . **Distributors Group**—Revised folder and portfolio on **Fully Administered Shares;** special month-end price comparison on **Group Securities, Inc. . . . Calvin Bullock**—Current issue of Bulletin giving "some characteristics of **Dividend Shares, Inc.**" . . . **National Securities & Research Corp.**—Statistical folders for dealers on **National Speculative Series** and **National Selected Groups Series,** also sales folders for general use on these two new series; Current Information folder covering all National sponsored funds; portfolio memorandum showing changes in all National sponsored funds during July; revised Prospectus on **National Securities Series** dated July 20, 1945; current issue of Investment Timing featuring "The Future of Municipal Bonds" . . . **Lord, Abbett**—Current Investment Bulletins on **Affiliated Fund;** Composite Summary folder for August on Lord-Abbett Sponsored Funds; three new Investment Program leaflets devised to fit different investor requirements and featuring a dividend check each month; revised Prospectus on **American Business Shares** dated July 12, 1945.

Dividends

New York Stocks, Inc.—The following dividends have been declared payable August 25, 1945 to stock of record August 3.

	Distributions Per Share		
Industry Series—	Regular	Extra	Total
Agricultural	$.07	$.10	$.17
Alcohol & Dist.	.11	.00	.11
Automobile	.06	.00	.06
Aviation	.10	.00	.10
Bank Stock	.06	.00	.06
Building Supply	.05	.00	.05
Business Equip.	.10	.00	.10
Chemical	.07	.00	.07
Electrical Equip.	.07	.00	.07
Food	.11	.00	.11
Government Bonds	.00	.00	.00
Insurance Stock	.08	.00	.08
Machinery	.08	.05	.13
Merchandising	.09	.10	.19
Metals	.05	.00	.05
Oil	.10	.20	.30
Public Utility	.03	.10	.13
Railroad	.07	.15	.22
Railroad Equip.	.06	.00	.06
Steel	.07	.00	.07
Tobacco	.10	.00	.10
Divers. Invest. Fund	.19	.00	.19
Divers. Spec. Shares	.05	.00	.05

Lehman Bros. Offers W. T. Grant Preferred

Lehman Brothers headed an underwriting group that offered Aug. 8 150,000 shares of W. T. Grant Co. 3¾% cumulative preferred stock ($100 par) at $100 per share and accrued dividends from July 1. Of the net proceeds, approximately $7,674,331 will be used toward the redemption, on Sept. 17, of all the 348,833¼ shares of outstanding 5% cumulative preferred stock. It is intended that the balance will be added to working capital to be used for various corporate purposes, including the purchase of additional merchandise inventories, modernization or enlargement of existing stores, opening of additional stores, purchase of store properties and payment of existing mortgage indebtedness.

Holders of the company's outstanding 5% preferred stock are being given the opportunity by the underwriters to acquire new stock at the public offering price in exchange for shares of the old stock. Exchanging stockholders will be credited with the redemption price of $22 per share and accrued dividends on the old stock so exchanged.

The stock being offered constitutes the initial series of an authorized issue of 250,000 shares. It will be redeemable, in whole or in part, at $104 on or before Aug. 1, 1948; at $103 thereafter and on or before Aug. 1, 1951; at $102 thereafter and on or before Aug. 1, 1953; at $101 thereafter and on or before Aug. 1, 1955; and at $100 thereafter, plus accrued dividends in each instance. Upon any involuntary liquidation or dissolution, the new stock is entitled to $100 per share, and upon a voluntary liquidation, to the then current redemption price.

Peyser Elected Director

Frederick M. Peyser, a member of the banking firm of Hallgarten & Co., of New York City, was elected to the board of directors of Lear, Incorporated, at a recent meeting, it was announced by William P. Lear, President of the company.

Peck, Shaffer & Williams Formed in Cincinnati

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, O.—Peck, Shaffer & Williams has been formed with offices in the First National Bank Building to conduct a business in general securities.

Anglo-Belgian Monetary Agreement

(Continued from page 624)

use of the official rate as the basis of all transactions involving a relationship between the two currencies.

(iv) The Bank of England and the National Bank of Belgium, as agents of their respective Governments, shall fix by mutual agreement the maximum spread above or below the official rate which will be authorized on the markets which they control.

Article 2

(i) The Bank of England (acting as agents of the United Kingdom Government) shall sell sterling to the National Bank of Belgium (acting as agents of the Belgian Government) as may be required for payments which residents of the Belgian monetary area, under the exchange regulations in force in that area, are permitted to make to residents of the sterling area—

(a) against Belgian francs to be credited at the official rate to the Bank of England's No. 1 Account with the National Bank of Belgium, provided that the balance standing to the credit of that Account is not thereby increased above a maximum of Bg. fcs. 883,125,000, or

(b) if the balance standing to the credit of the Bank of England's No. 1 Account with the National Bank of Belgium amounts to Bg. fcs. 883,125,000, against gold to be set aside in the Bank of England's name at the National Bank of Belgium, Brussels.

(ii) The National Bank of Belgium (acting as agents of the Belgian Government) shall sell Belgian francs to the Bank of England (acting as agents of the United Kingdom Government) as may be required for payments which residents of the sterling area, under the exchange regulations in force in that area, are permitted to make to residents of the Belgian monetary area—

(a) against sterling to be credited at the official rate to the National Bank of Belgium's No. 1 Account with the Bank of England provided that the balance standing to the credit of that Account is not thereby increased above a maximum of £5 million plus such additional sum as the Contracting Governments shall have agreed to recognise as equivalent to the net amount of sterling owned by residents of the Belgian monetary area at the date on which this Agreement enters into force, or

(b) if the balance standing to the credit of the National Bank of Belgium's No. 1 Account with the Bank of England amounts to £5 million plus the additional sum referred to in subparagraph (a) above, against gold to be set aside in the name of the National Bank of Belgium at the Bank of England, London.

(iii) The National Bank of Belgium shall at all times maintain a balance of not less than £100.-000 on their No. 1 Account with the Bank of England.

(iv) The Bank of England shall at all times maintain a balance of not less than Bg. fcs. 17,662,500 on their No. 1 Account with the National Bank of Belgium.

(v) Gold set aside in Brussels in accordance with the provisions of this Article shall be at the Bank of England's free disposal and may be exported.

(vi) Gold set aside in London in accordance with the provisions of this Article shall be at the National Bank of Belgium's free disposal and may be exported.

Article 3

(i) The Bank of England shall have the right at any time to sell to the National Bank of Belgium, against all or part of the sterling balances held by that Bank, either Belgian francs at the official rate or gold to be set aside at the Bank of England in London.

(ii) The National Bank of Belgium shall have the right at any time to sell to the Bank of England, against all or part of the Belgian franc balances held by that Bank, either sterling at the official rate or gold to be set aside at the National Bank of Belgium in Brussels.

Article 4

(i) The Government of the United Kingdom shall not restrict the availability of sterling at the disposal of residents of the Belgian monetary area for making—

(a) transfers to other residents of the Belgian monetary area;

(b) payments to residents of the sterling area; or

(c) transfers to residents of countries outside the Belgian monetary area and the sterling area to the extent to which these may be authorised by the Government of the United Kingdom under the arrangements contemplated in Article 8 (iii) hereof.

(ii) The Belgian Government shall not restrict the availability of Belgian francs at the disposal of residents of the sterling area for making—

(a) transfers to other residents of the sterling area;

(b) payments to residents of the Belgian monetary area; or

(c) transfers to residents of countries outside the sterling area and the Belgian monetary area to the extent to which these may be authorised by the Belgian Government under the arrangements contemplated in Article 8 (iii) hereof.

Article 5

(i) To the extent to which the National Bank of Belgium requires sterling area currencies, other than sterling, for the purpose of providing for payments in the countries where such currencies are legal tender, the National Bank of Belgium shall purchase them through the Bank of England against payment in sterling.

(ii) To the extent to which the Bank of England require Congolese francs for the purpose of providing for payments in the Belgian Congo and the Mandated Territory of Ruanda Urundi, the Bank of England shall purchase them through the National Bank of Belgium against payment in Belgian francs.

Article 6

The two Contracting Governments shall co-operate with a view to assisting each other in keeping capital transactions within the scope of their respective policies, and in particular with a view to preventing transfers between their areas which do not serve direct and useful economic or commercial purposes.

Article 7

Any sterling held by the National Bank of Belgium shall be held and invested only as may be agreed by the Bank of England and any Belgian francs held by the Bank of England shall be held and invested only as may be agreed by the National Bank of Belgium.

Article 8

(i) If during the currency of this Agreement the Contracting Governments adhere to a general international monetary agree- [illegible] y will review the terms of the present Agreement with a view to making any amendments that may be required.

(ii) While the present Agreement remains in force the Contracting Governments shall cooperate to apply it with the necessary flexibility according to circumstances. The Bank of England and the National Bank of Belgium, as agents of their respective Governments, will maintain contact on all technical questions arising out of the Agreement and will collaborate closely on exchange control matters affecting the two areas.

(iii) As opportunity offers, the Contracting Governments shall seek with the consent of the other interested parties—

(a) to make Belgian francs at the disposal of residents of the sterling area and sterling at the disposal of residents of the Belgian monetary area available for payments of a current nature to residents of countries outside the sterling area and the Belgian monetary area; and

(b) to enable residents of countries outside the sterling area and the Belgian monetary area to use sterling at their disposal to make payments of a current nature to residents of the Belgian monetary area, and to use Belgian francs at their disposal to make payments of a current nature to residents of the sterling area.

(iv) Notwithstanding that each of the Contracting Governments shall be alone responsible for its monetary relations with third parties, they shall maintain contact wherever the monetary relations of the one affect the interests of the other.

Article 9

For the purposes of the present Agreement—

(i) The expression "the sterling area" shall have the meaning from time to time assigned to it by the exchange control regulations in force in the United Kingdom.

(ii) The expression "the Belgian monetary area" shall, subject to the provisions of Article 10 hereof, include the following territories:—

Belgium,
Luxembourg,
Belgian Congo, and the
Mandated Territory of Ruanda Urundi.

(iii) Transactions between the Bank of England and the National Bank of Belgium are to be considered as transactions between the sterling area and the Belgian monetary area.

(iv) Transactions entered into by the Government of any territory within one of the two areas described above are to be considered as transactions entered into by a resident of that area.

Article 10

The present Agreement shall not apply to the Belgian Congo and the Mandated Territory of Ruanda Urundi until fourteen days after its signature. On that date, the Anglo-Belgian Financial Agreement of the 21st January, 1941, * shall cease to have effect between the Contracting Governments.

Article 11

Upon the signature of the present Agreement, the Anglo-Belgian Financial Agreement of the 7th June, 1940 shall be abrogated, and the balances which have accrued thereunder shall be available in accordance with the provisions of Article 4 hereof.

Article 12

The present Agreement, which shall be subject to review and adjustment after mutual consultation, shall come into force on the day of its signature. At any time thereafter either Contracting Government may give notice to the other of its intention to terminate the Agreement and the Agreement shall cease to have effect three months after the date of such notice. It shall terminate three years after the date of its coming into force, unless the Contracting Governments agree otherwise.

In witness whereof, the Undersigned, being duly authorised by their respective Governments, have signed the present Agreement and have affixed thereto their seals.

Done in London, in duplicate, this 5th day of October, 1944.

(L. S.) JOHN ANDERSON
(L. S.) E. de CARTIER
(L. S.) GUTT

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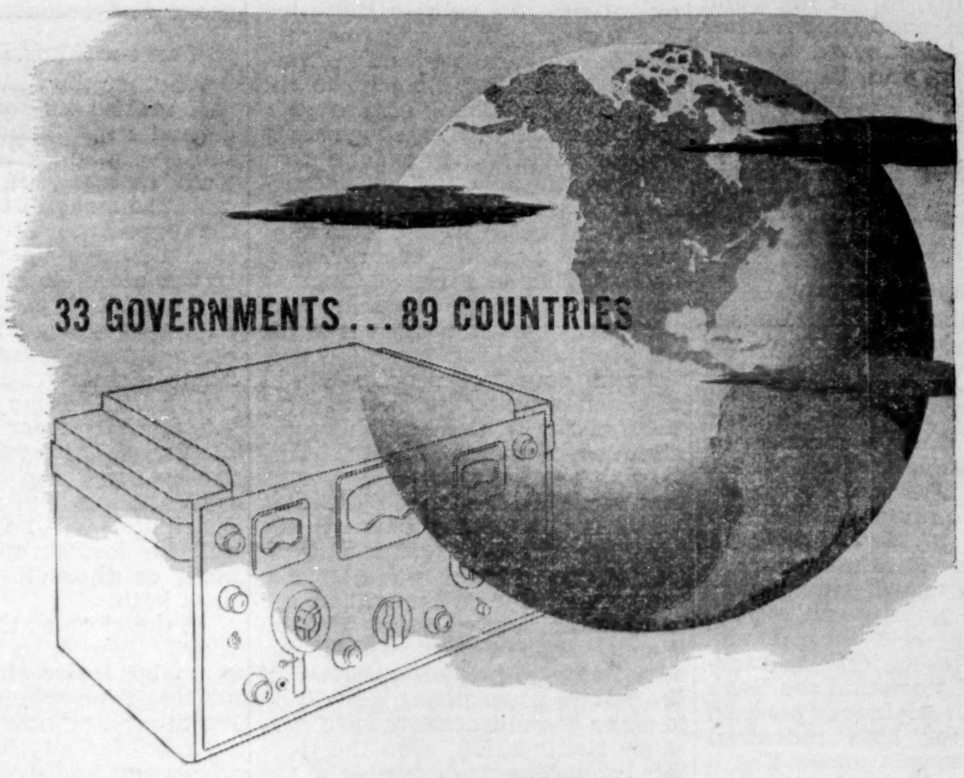
* "Treaty Series No. 1 (1941)," Cmd. 6248.

With M. S. Walker & Co.

(Special to The Financial Chronicle)

LONG BEACH, CALIF.—**Arthur P. Adkisson** has become associated with **M. S. Walker & Co.,** 125 East First Street. Mr. Adkisson was previously with Mitchum, Tully & Co. in charge of their local office.



Hallicrafters high frequency transmitters and receivers were used by 33 governments and sold in 89 countries before the war.

When peace returns to the world Hallicrafters will play a leading part in helping to achieve better understanding among nations. Freedom of communication — free from tyrannical censorship — will be the contribution of our victorious armies. Freedom of communication — short wave radio free from hampering imperfections — will be Hallicrafters contribution to better understanding between neighbors on this globe.

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The British Labor Party's Success

National City Bank of N. Y. Doubts the Party Will Do What It Promises. Sees Merely That Another Element of Confusion in World Affairs Has Been Added and Holds It Will Not Affect Our Own Policy of Free Enterprise.

The August issue of the Monthly Letter of the National City Bank of New York reviews the results of the recent British election and after analyzing the Labor Party's program, expresses doubt regarding its accomplishment. It sees no adverse effect on our policy of free enterprise and adds that because the leaders of the Labor Party served ably in the Coalition government, it concludes that "fortunately there are many factors of reassurance that extreme Leftists will not exert a major influence."

"The sweeping victory of the Labor party, in the British elections," the National City Letter states, "was a stunning surprise in this country, for advices from abroad had indicated that an overturn was not likely. It is difficult even in our own elections to determine what influences actually govern voters, and of course it is more difficult to comprehend all the political and personal factors that enter into an election in another country. The Conservative party had been in office ten years, including nearly six of war, and any party in power under such circumstances becomes the target of accumulated grievances and complaints, which may have influenced the voters as much as or more than study of post-war issues. We are familiar in this country with changes of administration after a war and at other critical times.

"The Conservatives were on record as endorsing the White Paper of May 26. 1944, which recommended government acceptance of responsibility for 'a high and stable level of employment after the war' and proposed radical measures to that end. They sponsored a housing program, extension of social security and national health service, and other measures on which the British people for the most part are agreed. The Labor party, however, promised all this and much more."

The Labor Program

Regarding the reforms promised by the successful organization, the Letter continues: The platform of the Labor party is contained in the statement entitled "Let Us Face the Future," which was drawn up last April by a committee headed by Herbert Morrison, and approved by the annual conference of the party in May. The program includes—in addition to expanded social security and health measures and "jobs for all"—public ownership of the fuel and power industries, inland transport, iron and steel, and the Bank of England. It includes "planned investment" for both industrial and social purposes and a Board to "determine social priorities and promote better timing in private investment." It includes "suitable economic and price controls" to keep down living costs and give priority to production of necessities. A "full program of land planning and drastic action to insure an efficient building industry" is pledged, and it is declared that "Labor believes in land nationalization and will work towards it."

Above all, the program declared that Labor will do what it promises. "The nation needs a tremendous overhaul. . . . All parties say so — the Labor party means it." "Everybody says that we must have houses. Only the Labor party is ready to take the necessary steps." "The Labor party is a Socialist party, and proud of it."

Insofar as post-war policy was the issue, therefore, it was one of the degree of control and overhead planning to be enforced by the State, the amount of economic activity to be carried on by the State, and the extent of individual benefits to be sought from the State. Mr. Churchill warned that the Labor proposals meant the loss of freedom of economic action and probably, in the end, of political liberties. He drew a vivid picture of the eventual regulation of daily lives and pursuits, and of rampant inflation. The Labor leaders ridiculed these tears and obviously the voters were not impressed. The outcome shows that the voters are not afraid of a possible vast extension of state intervention, for purposes which they believe to be beneficent. At any rate, they preferred to put their trust in new faces and new ideas.

It should be said that by no stretch of the imagination can the result be considered a repudiation of Mr. Churchill's leadership during the past five years. His stature as a war leader can never be diminished, and his place in history is unique and secure.

Implications of the Change

It is a momentous step for a country with the long tradition of liberty and free enterprise of Great Britain to entrust its government to a party of socialist doctrines, and reactions will be felt far beyond Britain's borders. There are some who hold that the situation will be benefited by government taking wider control, on the ground that the problems of Great Britain, as of Europe generally, are too vast to be solved by reliance on private initiative. The opposing view is that the change of government and of policy adds another element to the confusion in world affairs at a time when confusion, uncertainty and controversy may exact a costly price in delaying reconstruction and recovery; and that enterprise will be depressed at a time when all possible enterprise is needed. Business men of England and those doing business with them may not know for a while how to plan ahead.

In all countries practical tasks of reconstruction lie ahead. Will the decision of the British people stimulate demand for shifts further to the Left elsewhere, with resulting controversy, disunion and delay in getting down to the hard, pressing tasks? What is the significance of the move for the pound sterling? What will be the British action on the Bretton Woods Agreements, which our own Congress has accepted? Will the Labor government be willing to make commitments toward currency stabilization, even the flexible commitments embodied in the Fund? And if it makes the commitments, will it be able to carry them out, if its social measures advance industrial costs so that exports are restricted and international payments run a steady deficit? In that case will there be resort to export subsidies, bilateral agreements and other discriminatory measures of which the world should rid itself?

We published in this Letter last month an article describing the problems of the British balance of payments, which for solution will require hard work, rigid limitation of imports to necessities, emphasis on exports at the expense of domestic consumption, and efficient low-cost production in the export industries. Can these be immediately reconciled with the promises of high wages and great advances in social welfare? What will be the effect of nationalization and of extended business controls on productivity?

Factors of Reassurance

These are grave questions to which events must supply the answer, and it would be wrong to prejudge them. Fortunately there are many factors of reassurance. The men who will hold the principal positions in the Labor government will be the same men who have been serving ably in the Coalition government. Their sense of responsibility is unquestioned. There appears little likelihood that the extreme Leftists will exert major influence. Writing in "Foreign Affairs", July, 1945, A. L. Rowse of Oxford University says of the Labor party:

"Thirty years ago it was the party of the dispossessed. The working classes were kept outside of political and economic power. That generated an immense drive for social and economic justice. The party was a radical party with an aggressive, aggrieved outlook. . . .

"Things have changed since those good (or, according to taste, bad) old days. The party has lost much of its former crusading, propagandists' fire. . . . The fact is that nobody can pretend that the working class has not got substantial social justice in England today. . . . It has ceased to be a party of radical social criticism. It has become more responsible, more governmental."

There is a vast gulf between a radical program carried out ruthlessly and ineptly and one put into effect by experienced and sober-minded people, feeling their way carefully and dealing fairly with all affected. In foreign affairs Mr. Attlee's first statement was that the government would prosecute the war against Japan vigorously, and it will work both through the Big Power conferences and through the United Nations organizations to promote peace and reconstruction.

Can the Aims Be Realized?

Whether the Labor government will realize its social aims must depend in last analysis upon the ability of the British economy to yield and pay for the benefits which so many of the British people expect to receive. That in turn depends upon productivity. If the effort to provide "a high and constant purchasing power . . . through good wages, social services and insurance, and taxation which bears less heavily on the lower-income groups" (the quotation is from "Let Us Face the Future") is pushed faster than the economy can support it, the value of the "purchasing power" distributed will be illusory, for it will be lost through unemployment or through inflation, perhaps both.

At the close of the last war Mr. Lloyd George in his successful campaign for re-election made an address from which an extract is worth reading now:

"You cannot have improved wages and improved conditions of labor all round unless you manage to increase production. . . . There is one condition for the success of all efforts to increase the output of this country — confidence. . . . You must give confidence to all classes, confidence to those who have brains, to those who have capital, and to those with hearts and hands to work. I say to labor, you shall have justice; you shall have fair treatment, a fair share of the amenities of life, and your children shall have equal opportunities with the children of the rich. To capital I say: You shall not be plundered or penalized; do your duty by those who work for you, and the future is free for all the enterprise or audacity you can give us. . . . And when the whole nation sees that wealth lies in production, that production can be enormously increased, with higher wages and shorter hours, and when the classes feel confidence in each other, and trust each other, there will be abundance to requite the toil and to gladden the hearts of all. We can change the whole face of existence."

Mr. Lloyd George offered a great deal, but only, it will be noted, in return for production. On that the Labor program eventually must stand or fall. If it fails it will be because it attempts more than can possibly be fulfilled, in light of the facts and circumstances which face Great Britain now and in the years ahead.

An interesting comment made in this country on the election has been reported in the New York press. Senator Aiken of Vermont is quoted as saying he believed "that the presence of two million American soldiers in the British Isles must have opened the common people's eyes when the GIs referred to the homes and cars and other conveniences back home."

But the thought prompted by this statement is that the homes and cars, the modern conveniences, and other evidences of high living standards in the United States, as described by the GIs in Great Britain, are the achievement of a long history of free enterprise, not of state planning or control; and of a system of private enterprise, not of state management or nationalized industries.

With Wm. R. Staats Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — **Louis M. Reaney** has been added to the staff of **William R. Staats Co.**, 640 South Spring Street.

Dealer-Broker Investment Recommendations and Literature

(Continued from page 624)

—Kneeland & Co., Board of Trade Building, Chicago 4, Ill.

Also available a detailed report on **United Brick & Tile Company.**

Kingan Company — Descriptive circular—**C. E. de Willers & Co.,** 120 Broadway, New York 5, N. Y.

Also available is a memorandum on **Macfadden Pub. Inc.** and **Sterling Engine.**

Lehigh Coal & Navigation Company—Study of appreciation potentialities — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Long Bell Lumber Co.—detailed brochure for dealers only—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

P. R. Mallory & Co., Inc.—Analytical discussion — **Steiner, Rouse & Co., 25 Broad Street, New York 4, N. Y.**

Midland Realization and **Midland Utilities Common**—Memorandum—Doyle, O'Connor & Co., Inc., 135 South La Salle Street, Chicago 3, Ill.

Midland Utilities and Midland Realization Company—A study of Values and Distribution, prompted by consensus of opinion pointing to near-term liquidation of utilities and realization companies—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

Also available are brochures and statistical information for dealers on **Garrett Corporation and Magnavox Company.**

The Muter Co. and **The Chicago Corp.**—Circulars—Hicks & Price, 231 South La Salle Street, Chicago 4, Ill.

Nashawena Mills—Circular—Du Pont, Homsey Co., Shawmut Bank Building, Boston 9, Mass.

National Radiator Co.—Analysis, for dealers only—**C. E. Unterberg & Co.,** 61 Broadway, New York 6, N. Y.

National Terminals Corporation—circular—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Also available is a memorandum on **Howell Electric Motors** and **American Service Co.**

New England Lime Co.—Circular—Dayton Haigney & Company, 75 Federal Street, Boston 10, Mass.

New England Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Pittsburgh Railways — Current study—**First Colony Corporation,** 70 Pine Street, New York 5, N. Y.

Province of Alberta Debt Reorganization—Summary of program — First Boston Corporation, 100 Broadway, New York 5, N. Y.

Public National Bank & Trust Company—Second quarter analysis—for dealers only—**C. E. Unterberg & Co.,** 61 Broadway, New York 6, N. Y.

Purolator Products, Inc.—Study of outlook and possibilities — Ward & Co., 120 Broadway, New York 5, N. Y. Also available are late memoranda on:

Great American Industries; Electrolux; Brockway Motors; Scovill Mfg.; Alabama Mills, Inc.; American Hardware; Douglas Shoe; Southeastern Corp.; Detroit Harvester; Bowser, Inc.; Mohawk Rubber Co.; TACA Airways; American Window Glass.

H. H. Robertson Co.—Memorandum on reconversion outlook—Strauss Bros., 32 Broadway, New York 4, N. Y.

Also available a memo on **Stromberg-Carlson** and a leaflet of general market comment.

"Rock Island"—study of improved reorganization profit potentialities—McLaughlin, Baird & Reuss, 1 Wall Street, New York 5, N. Y.

Schenley Distillers Corporation—Brochure of articles they have been running in the Chronicle—write to Mark Merit, in care of **Schenley Distillers Corporation,** 350 Fifth Avenue, New York 1, N. Y.

Serrick Corp.—Current analysis on interesting outlook — **Sills,** Minton & Co., Inc., 209 South La Salle Street, Chicago 4, Ill.

Simplex Paper Corp.—report—White, Noble & Co., Michigan Trust Building, Grand Rapids 2, Mich.

Southeastern Corp.—Special report showing profit appreciation possibilities in the stocks of this utility holding company — Luckhurst & Co., 40 Exchange Place, New York 5, N. Y.

Stromberg Carlson Company—memorandum—Kitchen & Co., 135 South La Salle Street, Chicago 3, Ill.

Wellman Engineering Co.—Descriptive circular — Simons, Linburn & Co., 25 Broad Street, New York 4, N. Y.

Also available is a circular on **Fashion Park, Inc.**

Wellman Engineering—descriptive memorandum — Wm. J. Mericka & Co., Union Commerce Building, Cleveland 14, Ohio.

York Corrugating Corp.—Memo on current situation—First Colony Corporation. 70 Pine Street, New York 5, N. Y.

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Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

A study of New York City bank stocks undertaken some 12 years ago, with which this writer was associated, developed some interesting ratios and other facts. For example, it was found that over the 27-year period from 1907 to 1933, the investing public's appraisal of the value of bank stocks, based on the record of a group of 15 high grade New York City bank stocks, averaged 18.64 times the banks' average annual earnings.

When this period was divided into two periods, viz.: 1907 to 1922, and 1923 to 1933, the respective average ratios became 15.43 and 23.33. The study indicated that the higher appraisal of the second period could be accounted for by greater public participation and interest in the market in general and bank stocks in particular. The educational influence of the Liberty Loan campaigns of World War I was considered to be an important factor in arousing public interest in the security markets.

RATIOS OF MARKET BID TO CURRENT EARNINGS OF YEARS SPECIFIED

	High Year 1937	Low Year Mean 1943	11-Year Average High	11-Year Average Mean	Aug. 2, 1945 (1944 Earnings)
Bank of Manhattan	22.1	4.8	12.1	9.8	7.0
Bank of New York	26.6	11.7	20.1	17.6	14.6
Bankers Trust	28.3	8.2	16.7	14.2	11.3
Central Hanover	20.1	11.8	17.4	14.9	11.6
Chase National	31.3	9.8	18.9	15.5	13.5
Chemical	21.4	11.7	14.6	12.5	12.8
Continental	12.4	7.1	13.2	11.0	12.2
Corn Exchange	24.2	9.4	13.9	11.7	10.9
First National	23.7	12.3	16.1	13.9	15.0
Guaranty Trust	25.6	11.6	17.0	14.6	12.3
Irving Trust	27.0	11.3	18.4	15.4	10.3
Manufacturers	15.5	5.7	8.3	6.8	6.2
National City	39.1	11.1	15.3	12.3	10.0
New York Trust	25.2	9.7	14.2	12.1	10.0
Public national	19.5	9.5	13 0	10.7	10.1
United States Trust	25.5	11.2	19.9	17.9	11.8
Average	24.5	9.8	15.6	13.2	11.2

It may be of interest to examine the market's appraisal of bank stocks today, and also to trace the record since the close of the former study in the year 1933. For this purpose a group of 16 leading New York City banks has been selected, which, except for mergers and other corporate changes, comprise substantially the same group of banks as was used in the 1907-1933 study.

On Aug. 2, 1945, the market's bid for these stocks averaged only 11.2 times 1944 earnings, or approximately only 10 times estimated 1945 earnings. This is an astonishingly low ratio and compares with the following annual mean ratios and annual high ratios for the group of 16 stocks:

Year	Mean	High
1934	11.7	14.0
1935	15.9	19.6
1936	17.5	19.9
1937	18.7	24.5
1938	12.8	14.6
1939	13.8	15.6
1940	12.8	14.8
1941	11.2	13.2
1942	10.4	12.1
1943	9.8	11.2
1944	10.6	11.8
11 Yr. Average	13.2	15.6

It seems very evident that the market since 1940 has not kept pace with the substantial upward trend in earnings which these banks have experienced. In general, the market's current appraisal appears too low; in other words, bank stocks are currently undervalued.

Turning to the individual bank stocks, it will be found that there are marked differences. Stocks which have enjoyed the highest market ratios since 1934 are: Bank of New York, 26.6 in 1937; Bankers Trust, 28.3 in 1937; Chase, 31.3 in 1937; Guaranty, 25.6 in 1937; Irving, 28.5 in 1936; National City, 39.1 in 1937; and U. S. Trust, 25.8 in 1935.

Banks whose stocks have usually commanded a lower than average bid ratio during the period, are: Bank of Manhattan, Continental, Corn Exchange, Manufacturers and Public National.

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Recent NASD By-Law Amendments

(Continued from page 619)

vide safeguards against unreasonable profits or unreasonable rates of commissions or other charges * * *".

Now it is perfectly conceivable that of those voting, many who were in favor of registration might have been against the broadening of this rule-making power, the effect of which is virtually to make the NASD a price-fixing body, or vice versa. Nevertheless, there was no opportunity to vote separately on these propositions. The Board's strategy apparently was to compel the members to take the whole or leave it. This is both unfair and undemocratic and of itself warrants the rejection of all the amendments.

We seem to be veering from a government of laws to a government of men. Once before, the NASD attempted to control prices by controlling spreads. Whilst the SEC called this an interpretation it nevertheless discountenanced any inference of impropriety from the size of the spread alone.

Comes the Board and starts playing with the idea of "unreasonable profits" and "unreasonable commissions."

What is reasonable becomes specific only as it is applied to the facts of each particular case. Because of this the Courts have refused again and again to give a general definition of the terms "reasonable" and "unreasonable," and have held that each case is dependent upon its own facts.

Is there any reason to hope that where the Courts have refused to define, the NASD will succeed? Has its Board of Governors a better knowledge of semantics?

The contrast lies in this, before the Courts, individual freedom of action will be preserved. No hard and fast rule of reasonableness or unreasonableness will be invoked. In NASD disciplinary proceedings, no matter what rule or interpretation of "reasonable profits" and "reasonable commissions" might be invoked after passage of such a by-law, no matter how such rule violated our freedoms and our constitution and the requirements of common fairness, he who was in the toils, though he had fought against such by-law, would be met with the contention that his application for membership constituted an agreement to abide by the by-laws and an estoppal against his asserting any defense with respect to the by-laws.

The problem of enforcement would be an extremely broad one. It would be impossible to establish any uniformity.

The expense of running an organization, in itself an important element in the estimate of profits, depends upon numerous considerations. The study given to a security, the time and cost involved in making such study, the position taken, the duration of that position and the risk involved, all these are some of the factors that go into estimating profits.

If the Governors intend to pursue this matter any further they will have carved for themslves an indigestible morsel.

Commenting on the Governors' activities in connection with these recent amendments, one of our readers, a member of the NASD, writes: "We reiterate, that it is our opinion, that it is long past high time that a new organization be formed and feel certain that 90% of the security dealers could get much more for much less from an efficiently run association seeking to benefit all its members."

If the Board starts toying with what profits are reasonable or unreasonable, and limiting commissions, it will be encouraging considerably more of such sentiment because the public and the average dealer resent invasions of our free institutions.

We put the public first because we feel price-fixing in the security field, having no relation to the war effort, will be the forerunner of what will occur throughout all industry if this tendency is not nipped in the bud.

The public has no relish for this type of control. It still favors those free institutions which formed the basis of our founding, and which are being increasingly endangered by rules that are a usurpation of legislative powers.

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W. Aldrich Off for Meet. of Int. Chamber of Com.

Winthrop Aldrich, chairman of the Board of the Chase National Bank, of New York, was one of the transatlantic passengers leaving La Guardia Field Marine base on Aug. 7 for Foynes, Eire, aboard an American Export Airlines Flying Ace.

Mr. Aldrich, said the New York "Sun," stated that he would attend a meeting of officials of the International Chamber of Commerce, of which he is President, scheduled to convene at Grosvenor House next week. Mr. Aldrich stated:

"This meeting will plan the post-war program of the International Chamber and fix the date of the first post-war Congress to be held sometime next summer."

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The Securities Salesman's Corner

By JOHN DUTTON

A Selling Idea That's New and Different

It has often occurred to the writer that there is a straight road to success in opening women's accounts. As yet, we have heard of few, or practically no firms that have attempted the method we are suggesting for this purpose. Possibly the idea is too radical; but after thinking it over it is our opinion that if properly handled, LECTURES ON THE PRINCIPLES OF INVESTMENT held exclusively for women should prove to be an excellent method of bringing in many new customers and substantially increasing sales volume.

Invitations could be sent to a selected list of women, made up from leaders in local affairs and the wives of successful business men, as well as regular customers of the firm. The hours set aside for this purpose should be convenient for women, possibly from 3:15 to 4:30 would be about right. The time allotted for such a course should be limited to about one hour and a half and the subjects presented should also comprise not over six individual subjects. At least, this is our opinion—frankly we've never tried this plan, and the whole thing is a matter of feeling our way—regardless of the attractiveness of the idea itself.

When invitations are sent out they should carry a return card stating that the sizes of the classes, of a necessity, must be limited; and reservations should be received in advance.

The letter of invitation should include a list of the subjects to be discussed. If possible, we would have a woman address these meetings, but if this cannot be accomplished we would have one of the partners of the firm do so. Some mention should be made of the educational and business background of the speaker. Also, special mention of the fact that no obligation or charge will be made for attendance, and of course, nothing in the way of selling will be mentioned at any time. This letter should be carefully drawn up—it is important! The best stationary available, and the most scrupulous care in composition is necessary for a letter such as this to go over.

As for the subjects themselves, they should be broad enough to appeal to the uninitiated as well as the more sophisticated investor. It is a fact that few women (and many men investors) know how a sinking fund operates, what it is and why it is. Or excess profits taxes and other taxes and their effect upon security values. Bonds, debentures, preferred and common stocks, warrants and conversion features present an almost unintelligible jargon to many people. The basis for a sound approach to investment; the reason for price fluctuations in securities; timing; relative degrees of safety in an investment; balance in a portfolio; growth companies and how to select them; and a host of other subjects present an almost inexhaustible treasure of information that can be presented in a short lecture course such as this.

It seems as if people are beginning to want to learn more than ever before, about what is going on in this interesting world in which we live. It could be possible that this also applies to one of the most vital problems which the average individual has to face today—making their future more secure through wiser and better investment. For that is what they should be doing when they invest in securities.

If the firm's quarters are sufficiently large, these classes could be held on the premises. In fact, we believe this would be preferable. As a "topper-offer" some light refreshments might also be served—tea and cake always seems to go well with the ladies. (This point we won't guarantee, and if you try it better call in the partners' wives for consultation first).

One thing more—if these classes are well handled and they leave a good impression on these who attend them—IT WILL BRING IN BUSINESS! If anyone tries it out the writer of this column would appreciate hearing about the results. It is our belief the idea is worth a real effort and that it will bring substantial rewards if properly conceived and directed.

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Market Quotations and Information on all California Securities

Municipal News & Notes

While exceptionally close bidding on new municipal issues is commonplace, rather than an exception, the illustration afforded in the case of the Minneapolis award on Monday is deserving of particular mention. The offering consisted of $1,705,000 principal amount of refunding and public welfare bonds, maturing serially from 1946 to 1955, incl.

The opening of bids revealed that the high and successful bidder was a syndicate headed by Phelps, Fenn & Co,, New York, which named a price of 100.158 for 1s. In second position, with an offer of 100.157 for the same coupon, was an account managed by Salomon Bros. & Hutzler, New York, while the third best tender of 100.137, also for 1s, was entered on behalf of a group formed by the First National Bank of Chicago. Several other syndicates participated in the bidding, specifying a coupon rate of 1.10%.

As will be seen from the foregoing, the spread between the first and second bids was only a fraction of a cent, while the difference in the case of the third high tender was only 2.1 cents.

This performance, it may be remarked, would be noteworthy even under normal market conditions. However, it takes on added significance in light of the rather poor performance of the municipal market generally in recent weeks. In this situation, dealers have been inclined to be rather cautious in the matter of bids, with the result that there has been a noticeable widening of spreads.

That such was not prevalent in the case of the Minneapolis sale is at once a tribute to the acumen and confidence in the market by the three leading bidders.

The outcome of this latest borrowing operation by the city, incidentally, also gives some indication of the extent to which the market has sagged from the levels which obtained earlier in the year.

Thus on the occasion of the city's earlier appearance in the capital market on Jan. 23, last, it disposed of $2,500,000 0.90% bonds of 1946-1955 maturity at a net cost of approximately 0.88%. This contrasts with the net rate of 0.97% achieved in the current instance, involving $1,705,000 bonds of similar maturity.

A group headed by Phelps, Fenn & Co. also won the January award and in competition no less keen than that which featured the recent operation. The successful bid was a combination of 100.1675 for $2.000.000 refundings and 100.149 for the companion offering of $500,000 public relief bonds. The runner-up bids on that occasion were 100.065 and 100.147, also for 0.90s.

Sold and For Sale

Among other recent issues of importance was the $4,750,000 Washington Toll Bridge Authority revenue refundings, which were acquired by a syndicate headed by Harris, Hall & Co.. Chicago, on a bid of 100.13 for 1¼s. The bonds mature in 1955 and are optional in varying amounts, ranging from $200,000 in 1946 to $610,000 in 1955.

Coincident with the award, announcement was made of the call for redemption on Sept. 1 next, of the outstanding $4.815,-000 authority bonds, dated Sept. 1, 1944.

Another large offering to come to light, albeit without any advance publicity, consisted of $2,351,000 **Willacy County Water Control and Improvement District No. 1, Texas,** 3% refundings, with the sponsors being a group managed by John Nuveen & Co., Chicago. The issue is due serially from 1946 to 1975, incl., with bonds due in 1956 and thereafter being subject to optional redemption.

The **City of Dallas, Texas,** was scheduled to make award on Wednesday of $1,500,000 various new issues, including $1,000,000 for airport improvements. Today (Thursday) the **Chicago Sanitary District, Ill.,** will consider bids on $2,000,000 construction bonds, due in 1965 and optional beginning in 1947.

Two large deals are scheduled to develop on Monday, August 13, with the principals being **Cuyahoga County, Ohio,** and the **State of Tennessee.** The Ohio unit is offering $1,625,000 refundings, maturing semi-annually from 1946 to 1950, incl., while Tennessee plans to award $3,500,000 public building bonds, to mature on Sept. 1, 1957.

On Tuesday, August 14, sales are in prospect of $2,750,000 **Glendale Unified School District, Los Angeles County, Calif.,** bonds, and $920,000 **Glen Ridge School District, N. J.,** obligations, with a maturity range of 1946-1985. The only other large offering presently scheduled to develop next week consists of $710,000 **Fair Lawn, N. J.,** sewer bonds, bids on which will be opened on Aug. 16.

Anticipated

Present indications suggest that the **State of California** will be the first Commonwealth to effect any bond financing for the purpose of providing benefits to veterans of World War II. State Treasurer Charles Johnson has announced that $15,000,000 veterans' aid bonds, part of an authorized issue of $30,000,000, will be offered for sale sometime in November.

Aetna Life of Hartford Asks Bids on Total of $9,377,000 Municipals

The possibility of further substantial liquidation of municipals by insurance companies is evidenced in the current announcement of the intention of the Aetna Life Insurance Co., Hartford, Conn., to receive sealed bids until Aug. 15 on $9,377,000 holdings of various State and municipal bonds. The offering includes obligations of States and local governmental units which are of general market interest. It constitutes the first important operation of its kind in some weeks and may be the forerunner of similar undertakings.

Canadians Sensitive About Gold Share Dealings

(Continued from page 621)

Restrictive U. S. Laws Not Permitted in Canada

Perhaps as good a statement of more responsible Toronto financial opinion on this subject is the following, taken from the Toronto "Globe and Mail" of June 21. After stressing the desirability of encouraging small prospectors, rather than relying on large established mining corporations, the article continues:

"If Canada therefore wants to have really active campaigns to find and change new natural resources of Canada into known and proved resources, it should not hamper sincere venture capital. The unprofitable servant or racketeer in mining finance should be eliminated as soon as and wherever found under our own laws. But much of present-day critical comment of a wholesale character fails to take into account that if this phase of mining finance is stopped by a campaign to break confidence of the American and Canadian publics in the mining possibilities of Canada, it is another way of abandoning further exploration and discovery of new areas.

"United States capital has played a great part in developing the mines of Canada. For those whose ventures succeeded it has been a great source of wealth and Canada has benefited as well in employment and production. If SEC and State security commissions succeed in cutting this off because the shares are patently speculative, there will be less and less employment in mining instead of more and more. It is also for the long interests of the United States to have developed in this hemisphere important mining production. Canadian mines were a very great help in this war.

"That is why restrictive United States laws cannot be permitted to operate in Canada and thus defeat the aims of our own security laws.

"They would kill progress here after the war as they have already killed mining expansion of a similar kind in the United States.

"And no one should imagine that it would only affect mining. Various companies offering bonds and shares, highly buttressed by current income, have also had to make plain in their advertisements that they are not offering shares to Americans. It is far from a satisfactory situation to arise between countries which have always had a comparatively free flow of securities both ways (except for war restrictions). If it happens, we will have to do all our exploration as best we can. Syndicates and companies are the most effective way for the country at large. The job cannot be handed over to the State, as in Russia. To do a proper job would raise taxes, and those who do not want to finance mining have rights, as well as those who do."

What Irks Canadians

What Canadian financial circles cite as particularly objectionable in the recent American efforts to clean up the Toronto gold-stock "racket" is the subjecting of Canadian citizens to possible punishment for acts which, although crimes in the United States, are perfectly legitimate in Canada. There has been resistance in Canada to granting to the United States powers to enforce American laws in Canada. The Canadians want, first, a meeting of minds between the two national governments as to what constitutes crime in this instance. They want to avoid recognizing a system under which a Canadian traveling in the United States might be arrested for stock-promotion activities which are lawful in his own country. And they will certainly object to any extradition treaty which would subject Canadians to punishment retroactively for offenses against American securities laws or for offenses still to be mutually defined by the two governments.

SEC Registration Costs Cited

One point emphasized by Canadians is the prohibitive SEC registration cost for small issues. When Mr. Callahan was in Toronto earlier this summer he was asked about this. The following is taken from a press report of the time:

"*Question*—What would a Canadian broker have to do today to register his stock for sale in say ten Eastern States? How long would it take? How much would it cost?

"*Answer*—First of all, he would have to have it registered with the SEC. Then he would have to have a broker-dealer registration effective with the SEC, and then he would have to have the issue qualified with the ten States in which he would sell, depending on the requirements of each State.

Some States require more than others. Operating from Toronto, all he would have to do is to have the issue qualified. You could register an issue with us if everything was in order in 20 days. After filing, it becomes effective if the information is complete enough. With the States I do not know. With some it does not require much, with others much more. I have no idea of the costs. The fees are nominal. I do not know what the lawyers will charge. A Toronto attorney could manage it as well as a United States attorney. If there are delaying moves it is never for the purpose of wearing a person out but of getting full information with the object of complete disclosure."

Canadian comment on Mr. Callahan's reply centers on the phrase, "if information given is considered to be complete enough." Toronto financiers quote American testimony to the effect that the time and expense involved are much greater than might be imagined; that expenses on small issues run from $20,000 to $50,000, and the time from 30 to 90 days. Canadian investment banking interests object to such "onerous" requirements. Moreover, they argue, the money invested for mining should go into mining, and not into the pockets of lawyers, accountants and the other experts required by SEC regulations. This may seem to be ignoring the purpose of the SEC in this instance, which is to prevent gullible Americans from being mulcted by greedy gold-stock promoters across the border. Canadian commentators do say that they offer no defense for crooks. Their comments, however, reveal little attention to the complaints from this side of the border, but rather a preoccupation with the adverse effects on legitimate Canadian mining-stock promotion here of the American complaints and the protective measures being taken by the Federal and various State governments.

Pennsylvania Is Criticized

An example of the Canadian frame of mind is the following comment by Mr. Wellington Jeffers of Toronto:

"Ben Rose, Toronto 'Star' staff correspondent, in a dispatch from New York, quotes J. Myron Honigman, one of Pennsylvania's securities commissioners, as saying that to deal legally in Pennsylvania, Toronto brokers need only satisfy the State's security commissioners of the legitimacy of their offerings. The yardsticks, he said, are whether an honest attempt is being made to explore the property, good repute of the brokers making the offer and whether the prospectus properly states the element of speculation involved. One test mentioned by Mr. Honigman is that brokers' commission is to be limited, except in unusual cases, to 15%.

"This interview aroused unusual interest on Bay St. It seems incredible, but I am told that MacDonald Mines, a Canadian issue, has the record of being the only case of a metal mining issue to be approved by the Pennsylvania Securities Commission. Add that their approval is good for one year and has to be renewed each year. The sweet reasonableness indicated by Mr. Honigman's statement seems to have been an effective barrier in the United States as well as Canada to sale of stock in Pennsylvania if our information is correct, and it appears to be reliable."

With Barbour, Smith & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Dale M. Peterson** has become connected with **Barbour, Smith & Company**, 210 West Seventh Street. Mr. Peterson was formerly with Crowell, Weedon & Co. and Adams-Fastnow Co.

State Department Spokesmen Uphold Use of Troops

(Continued from page 619)

passed upon by a vote of both Houses of Congress. In discussing Article 43 of the Charter, which relates to the use of armed force, the two officials spoke as follows:

Acheson: The question was whether this Article by itself imposes upon the member nations an obligation to supply forces to the Security Council—or whether another treaty will have to be negotiated to create such an obligation.

MacLeish: That would have left our position on this important question open to some doubt, would it not, Dean?

Acheson: That's right, Archie. But fortunately that interpretation did not prevail. One of the most impressive aspects of the debate in the Senate was the practical unanimity with which Senators of both parties stated positively that the time to decide this question was now. The debate made it clear that the ratification of the Charter imposes upon the United States the absolute obligation to make armed forces and facilities available to the Security Council in order to help maintain peace and security.

MacLeish: Under that interpretation then, since the obligation is established now, the later military agreements will be concerned solely with working out the details of this obligation.

Acheson: Yes. And these agreements would not be considered as treaties so far as this country is concerned. Before the conclusion of the debate, President Truman sent a communication to the Senate in which he stated his intention, when any such agreements are negotiated, to ask the Congress to approve them by appropriate legislation. This means legislation to be passed **by a majority of both Houses of Congress**, under the constiutional power of Congress to raise and support armies and make rules for the regulation of our armed forces.

MacLeish: Does this question have any bearing upon that other widely-discussed question of the power of the American delegate on the Security Council—that is, whether he will be empowered to supply contingents of United States forces to take part in enforcement action by the Security Council?

Acheson: Yes. It was brought out during the same debate that the ratification of this Charter, with Article 43 in it, vests in **the President** the power and obligation to execute the provisions of the Charter. Therefore if the Security Council should decide to take enforcement action, the President, or his delegate on the Security Council (who will be under his instructions) will have the power and the obligation to call up such United States forces as we have made available under the Charter and the military agreements. This necessarily flows from the ratification of the Charter. Any restrictions upon the power of the President to call upon these forces . . .

MacLeish: You mean for example a requirement that he secure Congressional approval each time the forces are called out?

Acheson: Exactly. Any such requirement would be inconsistent with our obligations under the Charter. I believe the Senate debate produced a clear understanding of both of these questions.

MacLeish: The strategy that was used to block our ratification of the League Covenant in 1919 and 1920, then, has little chance of succeeding this time—if it is tried.

Acheson: President Roosevelt and Secretary Hull decided long ago that the events of 1919 and 1920 would not be repeated. Two years of careful planning went into our proposals at Dumbarton Oaks. During this whole period leading members of the Senate and House, from both political parties, participated fully in the preparations. And of course four of our seven delegates at San Francisco were members of Congress—and they did a magnificent job. The Conference out there was held in a blaze of publicity, so that there could be no charge of secret agreements this time. When the issues finally came to a vote, Senators Connally and Vandenberg, who played an important part in drawing up the Charter, were its most effective spokesmen.

MacLeish: And it was not handicapped by being tied up to a controversial peace treaty, as was the League of Nations Covenant.

Acheson: But let's not forget that there is a whole series of decisions yet to be made before we will be able to participate fully in an effectively functioning United Nations organization. First we must complete the formal task of organizing, including the selection of our delegates and the setting up of the various councils and commissions. Then we will have to negotiate the military agreements. And while a trusteeship system has been created by the Charter, the determination of the exact areas to be placed under trusteeship has been left for later agreement.

MacLeish: And won't each nation also have to decide for itself on the extent to which it will submit its international disputes to the new International Court of Justice?

Acheson: Yes, and the necessary funds for the costs of the organization will have to be supplied. And in the case of some countries, including our own, legislation will be necessary to extend privileges and immunities to the organization and its officials.

MacLeish: In other words, there are difficult steps still to take. And I think it is important to point out that the steps already taken haven't been easy, however one-sided the vote on the Charter may look. No decision is easy which has cost a people what this one has cost us—what it has cost us to learn that, in the modern world, the policy of irresponsibility is the policy of disaster and death. People who say that the Charter can't amount to much because there was so little controversy about it forget that the decision to take this step had been long in making. Of course, there are always people who are really opposed to a program of international cooperation but aren't willing to come out and say so. As Tom Stokes said the other day, they "console themselves" with the argument that the Charter doesn't mean much anyway. Then there are always the perfectionists who think the Charter doesn't go far enough in the direction of world government. They are sincere, but they forget that world action requires world agreement and that world agreement is very difficult to come by. San Francisco went considerably farther than we had a right to believe it would. But what none of these people realize is the fact that the legislation we are talking about—the measures passed by Congress in the last few months—constitute a virtual revolution in our foreign policy.

With Crowell. Weedon

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — **Henry G. Miner** has become affiliated with **Crowell, Weedon & Co.**, 650 South Spring Street.

Urges India Accept Bretton Woods

An Associated Press dispatch printed in the New York "Journal of Commerce" on Aug. 7 states that Sir Chintaman D. Deshmukh, Governor of India's Reserve Bank and one of the delegates to the Bretton Woods International Monetary Conference, asked his country to accept the Bretton Woods agreement despite the conference's rejection of India's demand that the International Monetary Fund assume part of India's blocked sterling balances.

Addressing the annual meeting of the Reserve Bank in Delhi, Sir Chintaman said "it is obviously to the advantage of India to place herself in a position to participate in the benefits of world trade and global economic development which are anticipated from the successful operation of the two institutions involved—Bank and Fund."

Commenting on the sterling balances, Sir Chintaman warned Indian industrialists to "take a realistic accounts of their ready availability for the purchase of capital equipment and goods from abroad so that their schemes may be more firmly based if less ambitiously designed."

Broker-Dealer Personnel Items

If you contemplate making additions to your personnel please send in particulars to the Editor of The Financial Chronicle for publication in this column.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — **Frank J. Koch** has joined the staff of **Quincy Cass Associates**, 523 West Sixth Street. He was with Oscar F. Kraft & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Clifton H. Burnsworth** and **William S. Cook** have become associated with **Investment Fund Distributors**, 650 South Spring Street. Mr. Burnsworth was previously with Fairman & Co.

(Special to The Financial Chronicle)

MIAMI, FLA.—**Georgia C. Devore** is connected with **Frank D. Newman & Co.**, Ingraham Building.

(Special to The Financial Chronicle)

MIAMI, FLA.—**Penn L. Austin** is with **Cohu & Torrey**, Alfred I. du Pont Building.

(Special to The Financial Chronicle)

NEW ORLEANS, LA.—**Milton J. McGovern** is affiliated with **Beer & Co.**, 817 Gravier Street.

(Special to The Financial Chronicle)

OAKLAND, CALIF.—**Julius J. DeVries, Frank Fuhr, Denise V. Hughes, Theodore Macklin, Omer Nigh, Walter E. Powell, Philip M. Seifter** and **Betty M. Thomas** are now connected with **Capital Securities Co.**, 29 Grand Avenue.

(Special to The Financial Chronicle)

PORTLAND, MAINE — **Eli E. Power**, recently serving in the U. S. Army, has returned to **Timberlake & Co.**, 191 Middle Street.

(Special to The Financial Chronicle)

RIVERSIDE, CALIF.—**Clifford N. Moore** has become associated with **Walston, Hoffman & Goodwin**, Farmers & Mechanics Building. He was previously with First California Company.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—**Alvin F. Hansen** is with **Slayton and Company, Inc.**, 111 North Fourth Street.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF. — **Pauline Shorb** is with **E. H. Rollins & Sons Inc.**, Russ Building.

(Special to The Financial Chronicle)

SOUTH BEND, IND.—**Charles C. Milford** has been added to the staff of **Harrison & Austin, Inc.**, National Bank Building.

New York Trust Co. Hospitalization

John E. Bierwirth, President of The New York Trust Company, announced on July 23 that the company has adopted plans to meet the expenses in hospitals of illnesses of employees and their family dependents. Protection will be provided beginning Aug. 1 through the Blue Cross Plan of Associated Hospital Service of New York and the Doctors' Plan of the United Medical Service, Inc. The company will pay all costs. In a letter to the employees, announcing the adoption of the plans, Mr. Bierwirth explained that provisions had been made for the payment of hospital bills and for the cost of medical, surgical and obstetrical care in hospitals, and that benefits will be available without waiting periods to all salaried employees, regardless of age or rank, who have completed six months or more of continuous service. This is the third measure adopted by The New York Trust Company in recent years for the benefit of its employees. In 1943 the company established a Retirement Annuity Plan, which was followed in 1944 by an Incentive Compensation Plan for the officers and employees.

Our Meat Situation

(Continued from page 621)

The British ration for meat is expressed in terms of money and the local British consul informed us that it is equivalent to about one pound in weight. The average person in Britain gets just about the same amount of rationed meat per week as the average person in this country. The British ration of meat and bacon equals 7 of our red points per week, or 30 per month which is just slightly more than what the average person in this country spends for the same items. In addition to his meat and bacon ration the British consumer may spend his blue points for Spam and thus add 2¼ pounds a month to his meat diet but, of course, he would hardly use many of his blue points in this way.

The table shows that the British ration provides each person with a weekly total of meats and fats that would cost an American 1.4 times his weekly allowance of 11.5 red points. Since the American buys with his allowance about the same amount of meat as the Britisher receives, it is evident that the British consumer is receiving more fats and meat substitutes than the American.

Does the average person in Great Britain increase his meat supply via the black market? The London Economist states that the per capita consumption of meat has been only 108 pounds in each of the last two years and will be less this year. In this country the consumption of meat per capita this year will total, as indicated earlier, about 124 pounds. Last year it was 149 pounds and the year before that 140 pounds. Undoubtedly a black market exists in England but apparently it is not an important factor.

The difference between 108 pounds and 124 pounds per capita is a minimum measure of the black market in this country and lends support to the estimate made earlier of a black market of 25 to 35 pounds per capita per year. If England can distribute meats under rationing in such an efficient manner, why can't America do the same?

DIVIDEND NOTICES

ALLIS-CHALMERS MFG. CO.

COMMON DIVIDEND NO. 85

A regular quarterly dividend of forty cents ($0.40) per share, upon the issued and outstanding common stock, without par value, of this Company, has been declared, payable September 28, 1945, to stockholders of record at the close of business September 7, 1945. Transfer books will not be closed. Checks will be mailed.

W. E. HAWKINSON,
Secretary-Treasurer.

August 2, 1945.

AMERICAN GAS AND ELECTRIC COMPANY

Preferred Stock Dividend

- THE regular quarterly dividend of One Dollar Eighteen and Three-quarter Cents ($1.18¾) per share on the 4¾% cumulative Preferred capital stock of the company issued and outstanding in the hands of the public has been declared out of the surplus net earnings of the company for the quarter ending September 30, 1945, payable October 1, 1945, to holders of such stock of record on the books of the company at the close of business September 4, 1945.

Common Stock Dividend

- THE regular quarterly dividend of Forty Cents (40c) per share on the Common capital stock of the company issued and outstanding in the hands of the public has been declared out of the surplus net earnings of the company for the quarter ending September 30, 1945, payable September 15, 1945, to holders of such stock of record on the books of the company at the close of business August 16, 1945.

H. D. ANDERSON, Secretary.

August 8, 1945.

American Woolen Company

INCORPORATED

225 FOURTH AVE., NEW YORK 3, N.Y.

AT a meeting of the Board of Directors of the American Woolen Company held today, a dividend on the Preferred Stock of $4.00 a share on account of arrears was declared, payable September 12, 1945 to stockholders of record August 23, 1945. Transfer books will not close. Checks will be mailed by Guaranty Trust Co. of N. Y., dividend disbursing agent.

F. S. CONNETT,
Treasurer.

August 8, 1945.

Borden's

DIVIDEND No. 142

An interim dividend of forty cents (40¢) per share has been declared on the capital stock of ***The Borden Company,*** payable September 1, 1945, to stockholders of record at the close of business August 11, 1945.

E. L. NOETZEL
Treasurer

July 31, 1945

THE BUCKEYE PIPE LINE COMPANY

30 Broad Street

New York, July 30, 1945.

The Board of Directors of this Company has this day declared a dividend of Twenty (20) Cents per share on the capital stock without par value, payable September 15, 1945 to shareholders of record at the close of business August 24, 1945.

C. O. BELL, Secretary.

BUR-MIL QUALITY

Dividend Notice

August 3
1945

BURLINGTON MILLS CORPORATION

The Board of Directors of this Corporation has declared the following dividends:

4% CUMULATIVE PREFERRED STOCK
65 3/5 cents per share

COMMON STOCK ($1 par value)
25 cents per share

Each dividend is payable Sept. 1, 1945, to Stockholders of record at the close of business August 15, 1945.

WILLIAM S. COULTER, *Secretary*

DIVIDEND NOTICES

LANE-WELLS COMPANY

DIVIDEND NOTICE

The board of directors has declared a quarterly dividend of 25 cents per share on the common stock, payable September 15, 1945, to stockholders of record August 29, 1945.

B. G. PETERS, Secretary-Treasurer

RADIO CORPORATION OF AMERICA

Dividend on First Preferred Stock

The Directors have declared, for the period July 1, 1945 to September 30, 1945, a dividend of 87½ cents per share on the outstanding $3.50 Cumulative First Preferred Stock, payable October 1, 1945 to holders of record at the close of business September 7, 1945.

GEORGE S. DE SOUSA
Vice-President and Treasurer

New York, N. Y., August 3, 1945

SOUTHERN PACIFIC COMPANY

DIVIDEND NO. 111

A QUARTERLY DIVIDEND of Seventy-five Cents ($.75) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on Monday, September 17, 1945, to stockholders of record at three o'clock P. M., on Monday, August 27, 1945. The stock transfer books will not be closed for the payment of this dividend.

J. A. SIMPSON, Treasurer.

New York, N. Y., August 2, 1945.

SOUTHERN RAILWAY COMPANY

New York, July 24, 1945.

A regular quarterly dividend of Seventy-five Cents (75¢) per share on 1,298,200 shares of Common stock without par value of Southern Railway Company, has today been declared, out of the surplus of net profits of the Company for the fiscal year ended December 31, 1944, payable on Saturday, September 15, 1945, to stockholders of record at the close of business Wednesday, August 15, 1945.

Checks in payment of this dividend will be mailed to all stockholders of record at their addresses as they appear on the books of the Company unless otherwise instructed in writing.

J. J. MAHER, *Secretary.*

Sun-Kraft INC.

DIVIDEND NOTICE CLASS "A" STOCK

A regular quarterly dividend of 12½ cents per share on the Class "A" Stock of Sun-Kraft, Inc., has been declared, payable August 15th, 1945 to stockholders of record at the close of business August 4th, 1945. Checks will be mailed.

SUN-KRAFT, INC.
CHICAGO
A. V. ASHMAN, Secretary

Manufacturers of Sun-Kraft quartz ultra-violet ray equipment.

The Board of Directors of

Wentworth Manufacturing Company

has declared a dividend of twelve and one-half cents (12½c) per share on the outstanding common stock of the Company, payable on August 31, 1945 to stockholders of record at the close of business August 17, 1945.

Checks will be mailed.

JOHN E. McDERMOTT,
Secretary.

LIQUIDATION NOTICE

The Farmers & Merchants National Bank of Eureka, located at Eureka in the State of Nevada, is closing its affairs. All note holders and other creditors of the association are therefore hereby notified to present the notes and other claims for payment.

Dated: June 16, 1945.

C. L. TOBIN, Cashier.

With Blyth & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Lester F. Rogers** is now with **Blyth & Co., Inc.,** 215 West Sixth Street.

Calendar Of New Security Flotations

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

SATURDAY, AUG. 11

SOLAR MANUFACTURING CORP. on July 23 filed a registration statement for $1,500,000 5% 15-year sinking fund debentures due Aug. 1, 1960; five-year common stock purchase warrants to purchase 57,500 shares and a like amount of common shares issuable upon the exercise of the warrants. The company proposes to sell the debentures plus 20,000 warrants to an underwriting group headed by Van Alstyne, Noel & Co. Each $1,000 debenture will have attached a non-detachable warrant entitling the holders to purchase 25 shares of common.

Details—See issue of July 26.

Offering—The price per unit to the public will be 100.

Underwriters—Van Alstyne, Noel & Co. heads the underwriting group.

SUNDAY, AUG. 12

VIRGINIA RED LAKE MINES, LTD. on June 24 filed a registration statement for 220,000 shares of capital stock, par $1 (Canadian).

Details—See issue of Aug. 2.

Offering—The offering price to the public is 60½ cents Canadian or 55 cents United States funds.

Underwriters—Willis E. Burnside & Co., New York.

MONDAY, AUG. 13

MONTANA-DAKOTA UTILITIES CO. on July 25 filed a registration statement for 223,351 4-6 shares of common stock (par $5).

Details—See issue of Aug. 2.

Offering—Price to the public will be filed by amendment.

Underwriters—To be filed by amendment.

TUESDAY, AUG. 14

ROCKLAND GAS CO., INC., on July 26 filed a registration statement for 30,500 shares of common stock, (no par). The shares are issued and outstanding and do not represent new financing.

Details—See issue of Aug. 2.

Offering—The price to the public will be filed by amendment.

Underwriters—The principal underwriters are Butcher & Sherrerd, Putnam & Co., Chas. W. Scranton & Co., Battles & Co., Inc. and Southern Securities Corp.

NOMA ELECTRIC CORP. on July 26 filed a registration statement for 247,361 shares of common stock, par $1.

Details—See issue of Aug. 2.

Underwriters—None.

Offering—Company is offering its common stock to stockholders of Triumph Industries, Inc., formerly known as Triumph Explosives, Inc., on the basis of two shares of Triumph common, $2 par, for one share of Noma. Ansonia Electrical Co., a wholly-owned subsidiary of Noma, owns 200,000 shares of the common stock of Triumph. The offer of Noma is conditioned upon the acceptance of the offer by the holders of at least 80% of the stock of Triumph within the time period designated. The result of the exchange offer, when effective, will be to convert Triumph into a controlled subsidiary of Noma as of July 31, 1945, notwithstanding the fact that the exchange offer will not be consummated until a later date, the statement said. Assuming all of the shares of Triumph are exchanged pursuant to the order the shares of Triumph will be recorded on the books of the company at $3,626,682. Triumph has 494,722 shares of common stock outstanding.

WEDNESDAY, AUG. 15

WESTERN LIGHT & TELEPHONE CO., INC. on July 27 filed a registration statement for $6,200,000 first mortgage bonds, Series A, due July 1, 1975. The interest rate will be filed by amendment.

Details—See issue of Aug. 2.

Offering—Price to the public will be filed by amendment, after the bonds are offered for sale at competitive bidding.

Underwriters—To be filed by amendment.

HAMILTON RADIO CORP. on July 27 filed a registration statement for 150,000 shares of its common stock, par $1, of which 100,000 shares are to be offered presently to the public and 50,000 shares reserved for the conversion of warrants, and 50,000 common stock purchase warrants.

Details—See issue of Aug. 2.

Offering—The common stock is being offered to the public at $5.75 per share. The common stock warrants entitle holder to purchase shares at $5.75 per share before Aug. 1, 1950. The company proposes to sell 30,000 of the warrants to underwriters, 15,000 to Adolphe A. Juviler, President and Treasurer, and 5,000 to Percy L. Schoenen, Vice President and Secretary, at 10 cents each.

Underwriters—Van Alstyne, Noel & Co. is principal underwriter.

THURSDAY, AUG. 16

CUDAHY PACKING CO. on July 28 filed a registration statement for 100,000 shares of cumulative preferred stock ($10 par). The dividend rate will be filed by amendment.

Details—See issue of Aug. 2.

Offering—Holders of the 85,505 outstanding shares of 6% and 7% cumulative preferred stock may exchange their stock on a share for share basis for the new preferred, with a cash adjustment. Shares of the new stock not issued under the exchange offer together with the remaining 14,495 shares are to be sold to underwriters. The public offering price will be filed by amendment.

Underwriters—Goldman, Sachs & Co. is named principal underwriter.

PUBLICKER INDUSTRIES INC. on July 28 filed a registration statement for 100,000 shares of cumulative preferred stock (no par). The dividend rate will be filed by amendment.

Details—See issue of Aug. 2.

Offering—The offering price to the public will be filed by amendment.

Underwriters — Merrill Lynch, Pierce, Fenner & Beane heads the underwriting group, with names of others to be filed by amendment.

SATURDAY, AUG. 18

J. J. NEWBERRY CO. on July 30 filed a registration statement for 100,000 shares of preferred stock (par $100). The dividend rate will be filed by amendment.

Details—See issue of Aug. 2.

Offering—The price to the public will be filed by amendment. The underwriters are expected to offer to holders of the 50,986 shares of Series A 5% preferred stock an opportunity to exchange such shares for the new preferred stock on a share for share basis with adjustments. Public offering of the unexchanged portion of the issue will be made.

Underwriters—Kidder, Peabody & Co. heads the underwriting group.

CENTRAL ELECTRIC & GAS CO. on July 30 registered 65,000 shares of 4.75% cumulative preferred stock, Series A, par $50.

Details—See issue of Aug. 2.

Offering—The company will offer the new 4.75% preferred in exchange for its presently outstanding 6% cumulative preferred stock on a share for share basis. The unissued shares will be sold to the underwriters who will offer them to the public at a price to be filed by amendment.

Underwriters — The underwriting group is headed by Paine, Webber, Jackson & Curtis and Loewi & Co.

MOHAWK PETROLEUM CORP. has filed a registration statement for 120,000 shares of common stock ($1 par). The shares are issued and outstanding and are being sold for the account of certain stockholders.

Address—San Francisco, Cal.

Business—Producing, refining and distributing petroleum products.

Offering—The price to the public will be filed by amendment.

Proceeds—The proceeds will go to the selling stockholders.

Underwriters—Blyth & Co., Inc.

Registration Statement No. 2-5847. Form S-1. (7-30-45). Registration statement originally filed in San Francisco.

SUNDAY, AUG. 19

ALLIED STORES CORP. has filed a registration statement for 200,000 shares of cumulative preferred stock, par $100. The dividend rate will be filed by amendment.

Addres—1440 Broadway, New York, N. Y.

Business—Is a holding company owning subsidiaries which operate department stores and smaller stores classified as junior department stores.

Offering—The offering price to the public will be filed by amendment. It is expected that arrangements will be made with the underwriters whereby holders of the company's outstanding 5% preferred, par $100, will be afforded an opportunity to purchase the new stock by tendering their old stock in payment for the new.

Proceeds—Of the net proceeds, $19,522,500 will be used to redeem all of the 195,225 shares of outstanding 5% preferred (including that received by underwriters in payment for the new stock) at $100 a share, with any balance of proceeds added to the working capital of the company.

Underwriters—The underwriting group is headed by Lehman Brothers.

Registration Statement No. 2-5848. Form S-1. (7-31-45).

PHILADELPHIA FUND, INC., has filed a registration statement for 50,000 shares of capital stock.

Address—Land Title Building, Philadelphia, Pa.

Business—Investment company.

Investment Advisor — Alexander Investment Management Co., Philadelphia.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5849. Form S-5. (7-31-45).

MONDAY, AUG. 20

COLONIAL STORES INC. has filed a registration statement for 60,000 shares of cumulative preferred stock, 4% series, par $50.

Address—301 Dunmore Street, Norfolk, Va.

Business—Operates 430 retail food stores.

Offering—The company is offering to the holders of its 52,478 shares of 5% cumulative preferred the privilege of exchanging such shares for new shares on a share for share basis plus a cash payment. Any shares of the new preferred not issued under the exchange offer plus the 7,522 additional shares will be sold to the underwriters to be offered to the public at a price to be filed by amendment.

Proceeds—The net proceeds from the sale of the preferred stock for cash will be used to the extent necessary to redeem the old preferred at $52.50 per share, plus accrued dividends. The company has arranged for the private sale about Oct. 2, 1945, of $3,250,000 3% sinking fund debentures, due April 1, 1963. Proceeds estimated at $3,197,500 will be used for the redemption of $2,315,000 15-year 3⅝% sinking fund debentures at the redemption price of 103 plus accrued interest, and any balance from sale of stock and debentures will be added to working capital.

Underwriters—The underwriting group is headed by Hemphill, Noyes & Co., First Boston Corp. and Kidder, Peabody & Co.

Registration Statement No. 2-5850. Form S-1. (8-1-45).

TUESDAY, AUG. 21

HOUDAILLE-HERSHEY CORP. has filed a registration statement for $6,000,000 sinking fund debentures, due Sept. 1, 1960, and 190,000 shares of $2.25 cumulative convertible preferred, par $50.

Address—National Bank Building, Detroit, Mich.

Business—Peace-time business manufacture of metal products for the automobile industry.

Offering—The public offering price of the debentures will be filed by amendment. Of the 190,000 shares of $2.25 preferred, 173,500 shares are to be offered by the company in exchange, on a share for share basis plus a payment of $5 a share to the company and with a cash adjustment of dividends. to holders of its outstanding Class A no par value stock. The remaining 16,500 shares and the unexchanged shares will be sold to the underwriters and offered to the public at a price to be filed by amendment. The $5 represents the difference betwen the par value of the new stock and the $45 redemption value of the Class A stock.

Proceeds—The purpose of the issue of the debentures and new preferred stock is to provide for the retirement of all of the presently outstanding 173,500 shares of Class A no par value stock and to provide additional funds which will be used for the expansion and improvement of plants and equipment as soon as labor and materials are available. A part of the cash proceeds from the sale of the unexchanged preferred shares will be applied by company to redeem all of the unexchanged shares of Class A stock at $45 per share plus accrued dividends.

Underwriters—The underwriting group is headed by Paul H. Davis & Co. and Union Securities Co.

Registration Statement No. 2-5851. Form S-1. (8-2-45).

INTERNATIONAL FURNITURE CO. has filed a registration statement for $1,000,000 12-year 5% convertible sinking fund debentures, due Aug. 1, 1957, and 100,000 shares of common stock, par $1. The common shares are issued and are being sold for the account of Philip W. Pelts, who is described as president and sole share holder of the company.

Address—666 Lake Shore Drive, Chicago, Ill.

Business — Manufacture of upholstered living room furniture, etc.

Offering—The public offering price of the debentures is 100 and of the common stock $8.25 per share.

Proceeds—On July 31, 1945, the company and its subsidiary, Arlington Furniture Co., entered into a contract with Mr. Pelts, President of the company, under which the latter would purchase for $170,000 International's Chicago and Pittsburgh properties, all shares of DeKalb Improvement Co. from Arlington and all obligations owing by DeKalb to the two companies. The net proceeds to be received by International from the sale of the debentures and the properties will be used for the purchase or construction and equipping of new plants and expansion of present plants and the balance used for working capital.

Underwriters—Straus & Blosser, Chicago, is named principal underwriter.

Registration Statement No. 2-5852. Form S-1. (8-2-45).

CHICAGO CONSUMERS COOPERATIVE, INC., has filed a registration statement for 17,500 shares of common stock, par $20.

Address — 6 North Michigan Avenue, Chicago.

Business — Company was organized on March 1, 1945, for the establishment of food stores.

Offering—The price is $20 per share.

Proceeds—Funds from sale of shares are to go into capital account for acquiring store fixtures, inventory and working capital.

Underwriters — No underwriting. Sales will be conducted by members and officers to prospective members.

Registration Statement No. 2-5853. Form S-12. (8-2-45).

THURSDAY, AUG. 23

LANE BRYANT, INC., has filed a registration statement for 42,526 shares of 4½% cumulative convertible preferred stock (par $50) and 70,876 shares of common to be reserved for conversion of the preferred.

Address—16 West 40th Street, New York, N. Y.

Business—Specialist in apparel for stout woman and maternity apparel, etc.

Offering—The company is offering 12,312 shares of the new preferred in exchange for 7% preferred outstanding on the basis of two shares of 4½% preferred for one of 7% preferred with a cash adjustment on dividends. The balance will be offered to holders of common stock at the rate of one share of preferred for each six shares of common. The subscription price will be filed by amendment. Although all of the 42,526 shares are to be offered to common stockholders, the holders of 73,872 shares of common waived their preemptive rights in order to permit the exchange offer to preferred stockholders.

Proceeds—The company will call for redemption any of the 7% preferred not exchanged. The balance of the proceeds will be available for general corporate purposes, including the opening of new stores in Pittsburgh and Philadelphia, and the moving of stores to new locations in South Bend, Ind., Detroit, Kankakee and New York City.

Underwriters — Merrill Lynch, Pierce, Fenner & Beane is the principal underwriter.

Registration Statement No. 2-5854. Form A-2. (8-14-45).

ARIZONA POWER CO. has filed a registration statement for 12,000 shares of 5% cumulative preferred stock, par $100. The shares constitute all of the issued and outstanding preferred shares and are being sold by James C. Tucker, President and Director, the founder of the company.

Address—107 North Cortez Street, Prescott, Arizona.

Business—Public utility.

Offering—The price to the public will be filed by amendment.

Proceeds—The net proceeds will be received by Mr. Tucker who, as nominee of Arizona Power Corp., a predecessor company, provided the funds required to redeem all of the outstanding shares of preferred stock of Arizona Power Corp. Mr. Tucker became the owner of the shares called for redemption and under a consolidation of Arizona Power Corp. and Arizona Electric Power Corp. into Arizona Power Co. to be effected Aug. 20, 1945, is to receive 12,000 shares of Arizona Power Co. preferred in exchange for the shares of preferred stock of the predecessor company acquired by him. In effect the proceeds received by Mr. Tucker will reimburse him in part for his advance of funds for the purpose of redeeming the preferred stock of the predecessor company.

Underwriters—Central Republic Co., Inc., heads the underwriting group.

Registration Statement No. 2-5855. Form S-1. (8-4-45).

SATURDAY, AUG. 25

CONSOLIDATED BISCUIT CO. has filed a registration statement for 60,000 shares 4½% convertible cumulative preferred stock, par $20.

Address—1465 West 37th Street, Chicago, Ill.

Business — Manufacturer of crackers, cookies, etc.

Offering—The offering price to the public is $20 per share.

Proceeds—The company expects to use the proceeds estimated at approximately $1,080,000 for the purpose of enlarging its Chicago and West Roxbury, Boston, plants, for the purchase of additional machinery and equipment, and for working capital. The company anticipates that the additions to its Chicago plant will enable it to increase its production capacity at that plant by approximately 80% as to bakery goods, and by approximately 300% as to candy, and to double its production capacity of bakery goods at its West Roxbury plant.

Underwriters—The principal underwriters are F. S. Yantis & Co., Inc., and Dempsey & Co., both of Chicago.

Registration Statement No. 2-5856. Form S-1. (8-6-45).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

ACF-BRILL MOTORS CO. on June 30 filed a registration statement for 190,464½ warrants. The warrants are issued and outstanding and are being sold by American Car & Foundry Investment Corp.

Details—See issue of July 12.

Offering—The warrants entitle the holder to subscribe to the common stock of the company. The selling stockholder, American Car & Foundry Investment Corporation, proposes to offer the warrants for sale to the public commencing approximately Aug. 1, 1945, with the price to be determined from day to day by market sales of the warrants.

Underwriters—None mentioned.

AMERICAN ENGINEERING CO. on Feb. 27 filed a registration statement for $3,000,000 5% 15-year sinking fund debentures due 1960 and 200,000 shares of common stock. Of the stock registered 132,000 shares are issued and outstanding and being sold by stockholders.

Details—See issue of March 8.

Offering—The debentures will be offered at 100 and the common stock at $7.50 per share

Underwriters—Van Alstyne, Noel & Co. heads the underwriting group, with the names of others to be supplied by amendment.

ANCHORAGE HOMES, INC. on July 17 filed a registration statement for 505,000 shares of Class A capital stock, par $1, and 250,000 shares of Class B stock, par 10 cents.

Details—See issue of July 26.

Offering—There is to be presently offered to the public 250,000 shares of Class A and 50,000 shares Class B to be offered in units of 10 shares of Class A and 2 shares of Class B at a price of $60.20 per unit.

Underwriters—Andre de Saint-Phalle & Co., heads the underwriting group.

BROOKLYN BOROUGH GAS CO. on July 10 filed a registration statement for $3,640,000 first mortgage bonds due Aug. 1, 1970. The interest rate will be filed by amendment.

Details—See issue of July 19.

Offering—The price to the public will be filed by amendment.

Underwriters—The bonds will be offered for sale at competitive bidding and the names of underwriters filed by amendment.

BROOKLYN BOROUGH GAS CO. July 11 filed a registration statement for 15,000 shares cumulative preferred stock. The stock will be sold at competitive bidding and the dividend rate filed by amendment.

Details—See issue of July 19.

Offering—Price to public to be filed by amendment.

Underwriters—To be filed by amendment.

EASTERN GAS & FUEL ASSOCIATES on June 29 filed a registration statement for $40,000,000 first mortgage and collateral trust bonds due 1965.

Details—See issue of July 5.

Bonds Awarded—Aug. 6 to Mellon Securities Corp. and associates on bid of 100.5599 for a 3½% coupon.

Offered Aug. 8 at 102.17 and interest.

CENTRAL OHIO LIGHT & POWER CO. on Dec. 28 filed a registration statement for 11,972 shares of preferred stock, cumulative ($100 par). The dividend rate will be filed by amendment.

Details—See issue of Jan. 4, 1945.

Offering—Company proposes to invite proposals for services to be rendered to it in obtaining acceptances of the exchange offer of new preferred stock for old preferred and for the purchase from it of such of the 11,972 shares as are not exchanged pursuant to the exchange offer.

COMMERCIAL CREDIT CO. on June 7 filed a registration statement for 250,000 shares of preferred stock ($100 par). Dividend rate will be filed by amendment.

Details—See issue of June 14.

Offering—Company is offering the holders of the 121,938 shares of 4¼% cumulative convertible preferred stock to exchange their stock, share for share, for the new preferred. The underwriters have agreed to purchase any of the 250,000 shares of preferred not issued in exchange for outstanding preferred. Company will call any of the old preferred at $105 per share plus accrued dividends.

Underwriters —Kidder, Peabody & Co. and First Boston Corp. are named principal underwriters.

CONTAINER ENGINEERING CO. on June 15 filed a registration statement for 25,000 shares common stock (par $10).

Details—See issue of June 21.

Offering—Price to the public is given as $35 per share.

Underwriters—William L. Ullrich, St. Louis, will manage the sale of the entire issue.

COVENTRY GOLD MINES, LTD. on April 21 filed a registration statement for 333,333 shares of common stock.

Details—See issue of April 26.

Offering—Price to the public is 30 cents per share.

Underwriters—None named. The company proposes to market its own securities.

EVERSHARP, INC., on July 9 filed a registration statement for 32,500 shares of common stock, par $1. Shares are issued and outstanding and are being sold for the account of certain stockholders.

Details—See issue of July 19.

Offering—The price to the public will be filed by amendment.

Underwriters—Lehman Brothers heads the underwriting group.

GASPE OIL VENTURES, LTD., on May 8 filed a registration statement for 1,500,000 shares of common stock ($1 par) and 200,000 common share purchase warrants and 200,000 shares of common reserved for warrants.

Details—See issue of May 17.

Business—Exploration and development of oil wells.

Offering—Price to the public is 60 cents per share. The underwriter will receive purchase wararnts for the purchase of 2,000 shares of common for each 15,000 shares of common stock sold in the offering at a price of 45 cents per share.

Underwriter—Tellier & Co.

KINGS COUNTY LIGHTING CO. on July 6 filed a registration statement for $4,200,000 first mortgage bonds due 1975.

Details—See issue of July 12.

Offering—The price to the public will be filed by amendment.

Bonds Awarded Aug. 6 to Halsey, Stuart & Co., Inc. and associates on bid of 101.66 for a 3⅛% coupon.

MARICOPA RESERVOIR & POWER CO. on June 29 filed a registration statement for $3,343,500 4% income debentures due May 1, 1970, and $4,458 shares of common stock, no par.

Details—See issue of July 5.

Offering—Company is offering, to holders of $3,343,500 3% income bonds due Oct. 1, 1959, units consisting of $750 of 4% income bonds and one share of its common stock, in exchange for each $750 outstanding income bond, in connection with the plan of reorganization.

Underwriters—The Dunne-Israel Co.

MONONGAHELA POWER CO. on June 30 filed a registration statement for $22,000,000 first mortgage bonds, due 1975, and 90,000 shares of cumulative preferred stock, par $100. The interest and dividend rates will be filed by amendment.

Details—See issue of July 12.

Offering—The securities will be offered for sale at competitive bidding. The offering prices to the public will be filed by amendment.

Underwriters—The names of underwriters will be filed by amendment.

NEW YORK STATE ELECTRIC & GAS CORP. on June 27 filed a registration statement for $10,000,000 first mortgage bonds, due 1973, and 150,000 shares of cumulative preferred stock. Interest rate on bonds and dividend rate on preferred stock will be determined by competitive bidding.

Details—See issue of July 5.

Offering—Price to public will be filed by amendment.

Underwriters—Stock and bonds will be sold at competitive bidding and names of underwriters will be filed by amendment.

Issue Disapproved—The New York P. S. Commission on July 30 disapproved of the proposed refinancing.

Withdrawal request filed Aug. 4.

O. K. CO-OP RUBBER WELDING SYSTEM on June 12 filed a registration statement for 500 shares, par value $1,000 designated as "participating members shares" and 800 units of $500 each of preferred 7% debenture certificates.

Details—See issue of June 21.

Offering—The securities are to be sold at their par or face value to the owners and operators of O K Tire Servicing Stores and to employees, customers and suppliers of the trust and of the several businesses being acquired by the trust.

Underwriting—None named.

PACIFIC GAS & ELECTRIC CO. on May 4 filed a registration statement for 700,000 shares of common stock (par $25). The shares are owned by the North American Co. which is offering them.

Details—See issue of May 10.

Awarded May 22 to Blyth & Co., Inc. at $36.76 7/10 per share.

The SEC on May 23 refused to approve the bid, stating that competition had "been stifled."

POTOMAC EDISON CO. on April 19 filed a registration statement for 63,784 shares of 4½% preferred stock (par $100).

Details—See issue of April 26.

Offering—The company will offer the 63,784 shares of preferred stock in exchange for the 29,182 shares of 7% and 34,602 shares of 6% preferred stock now outstanding on a share for share basis with a dividend adjustment in each case and $5 in cash for each share of 7% preferred stock exchanged.

Underwriters — The company has retained Alex. Brown & Sons as dealer-manager to aid it in obtaining acceptances of the exchange offer.

RED BANK OIL CO. on May 31 filed a registration statement for 990,793 shares of common stock (par $1).

Details—See issue of June 7.

Offering—Of the shares registered Bennett & Co., Inc., parent of Red Bank, will receive 209,970 shares in return for a like number of shares loaned to the registrant in connection with the acquisition of 54% of the outstanding stock of Seatex Oil Co., Inc. In addition, 150,000 of the shares registered will be issued to stockholders of Federal Steel Products Corp. in exchange for all of Federal's stock. Bennett & Co., Inc., is the sole underwriter as to an additional 100,000 shares of common registered. The balance of 530,823 shares of stock being registered have heretofore been issued to Bennett & Co., Inc., in exchange for various obligations of the registrant.

Underwriters — Principal underwriter Bennett & Co., Inc., Dallas, Texas.

ROBERTS TOWING COMPANY on July 11 filed a registration statement for $500,000 serial 4½% equipment trust certificates.

Details—See issue of July 19.

Offering—The price to the public of the different series will be filed by amendment. The average price to the public is given as 100.47.

Underwriters—S. K. Cunningham, Inc., Pittsburgh, and John Nordman Co., St. Louis, Mo.

ST. JOSEPH LIGHT & POWER CO. on Feb. 28 filed a registration statement for 13,056 shares of Class A 5% cumulative preferred stock, par $100.

Details—See issue of March 8.

Offering—The company is offering 13,056 shares of its Class A 5% preferred shares in conversion share for share of the outstanding 5% cumulative preferred shares held by others than Cities Service Power & Light Co.

Underwriters—The company has retained Estabrook & Co., G. H. Walker & Co. and Prescott, Wright, Snider Co. as exchange agents to secure and procure consents of preferred shareholders to the conversion.

The company also proposes to refund the $4,806,000 first mortgage bonds, 4½% series due 1947 and to reduce the aggregate principal amount of its indebtedness to $3,750,000 by redeeming the outstanding bonds and issuing $3,750,000 of new bonds. The bonds will be sold at competitive bidding.

SEABOARD FINANCE CO. on July 12 filed a registration statement for $3,000,000 5% 10-year sinking fund debentures due Aug. 1, 1955, and 70,000 shares cumulative preferred stock, series A, with common stock purchase warrants.

Details—See issue of July 19.

Offering—The price to the public is 100 for the debentures and $30 per share for the preferred.

Underwriters—The underwriting group is headed by Van Alstyne, Noel & Co., and Johnson, Lemon & Co.

SOUTHWESTERN ELECTRIC SERVICE CO. April 18 filed a registration statement for $2,375,000 first mortgage bonds, 3⅜% series due 1975; 8,500 shares 4¾% cumulative preferred stock (par $100) and 128,935 shares of common (par $1).

Details—See issue of April 26.

Offering — Holders of the outstanding common stock of Southwestern Public Service Co. will be given the right to subscribe to the 128,935 shares of common at the rate of one share of common of Southwestern Electric for each five shares of common of Southwestern Public Service. The subscription price will be filed by amendment. The public offering price of any unsubscribed common and of the bonds and preferred stock will be filed by amendment.

Underwriters—To be filed by amendment.

UNIVERSAL CAMERA CORP. on March 19 filed a registration statement for 663,500 shares Class A common stock, par value one cent a share, with Class A common stock purchase warrants. Of the total 530,500 are issued and outstanding and are being sold by certain stockholders.

Details—See issue of March 29.

Offering—The initial offering price is $5 per share. Of the 133,000 shares being offered for account of company, 20,000 are to be offered to employees at $4.25 per share. Shares not subscribed for by employees will be sold to public through underwriters along with the rest of the public offering. For every ten shares of common stock bought, purchasers, other than employees, will receive warrants to subscribe to one share of common stock, at $5 per share, on or before Dec. 31, 1948. Employees will receive such warrants for each five shares of common stock purchased.

Underwriters — Floyd D. Cerf Co. is named principal underwriter.

Stop Order Action—The SEC on June 29 dismissed the stop order proceedings commenced April 10, 1945. In its opinion the Commission said it is satisfied that the amendments subsequently filed by the company substantially correct the deficiencies cited in the notice of the proceeding except those relating to the warrants.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 622)

market by watching such stocks and act accordingly. Leader strength at the end of the day, usually the after-run on the ticker, could be counted on to repeat during the third trading hour of the following day. Closing strength during the closing minutes of a holiday eve followed by opening strength on the next market day frequently signalled a top. The reverse was true on reactions. A sharp break on closes followed by a low opening on the first market day after a holiday was often the signal for a turn-up. Latter was particularly applicable if between the two market sessions news of a serious nature occured. The turn-up, under a news influence, didn't come right away. It usually turned into dullness and after a few days to a few weeks of such action the reversal came.

* * *

An immediate analogy can be seen in the recent action prior to and immediately after the British election news. You will recall that for weeks before the election stocks were either hesitant or reactionary. A temporary top had been signalled. On the election news they broke wide open. All sorts of news began circulating in the market. But despite deep pessimism individual issues stood firm and some even managed to go up. It is during such periods that new buying is best done. Of course buyers must place limits under which they will not carry stocks. But the danger of taking severe losses in such periods is usually smaller than attempting to buy them when everybody else is of the same mind.

* * *

Last week I suggested the purchase of four additional stocks (you already held two). Two of the four were available; two were not. Of the former Chicago and North Western was bought at 40½ with a stop at 37. Jones & Laughlin's range appeared mistakenly as "buy between 24½ and 25½; stop at 23". As those ranges were ten points away from Thursday's ranges it was obvious that lower figures were typographical errors. Prices should have read, 34½-35½; stop 33. Stock got under 35 so I'm assuming it was obtained. Paramount at 29½-30½, stop 28½, was not obtainable. Neither was Atlantic Coast Line 65½-66½ stop, 64. Repeat both. Old stocks held are U. S. Steel, stop 65; A. M. Byers, stop 16, and White Motors, stop 28. There is no change in these positions.

* * *

E. H. H., Lima, Ohio: Speculators cannot force Dow indications because they don't work together and to have both averages confirm each other would take an enormous sum and even then success would be doubtful. Manipulation for the purpose of moving all stocks in the averages is completely impracticable. Floating supply must be taken into consideration and presupposes agreement with large holders and company officials.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Daniel Sullivan

Daniel Sullivan, Boston broker and former member of the New York Stock Exchange, died at his home in Newton Center, Mass. As a young man, Mr. Sullivan was employed by Charles Head & Co., investment bankers, later becoming a member of the firm and purchasing a seat on the New York Stock Exchange. After the firm was dissolved in 1918, Mr. Sullivan devoted his time to his own investments and those of his family.

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(Special to THE FINANCIAL CHRONICLE)

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"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The Government bond market made progress on the upside with somewhat increased volume until Tuesday, when it turned soft, as the possibility of an early ending of the war again became an important market factor. . . . Contributing to the uncertainty was the increase announced by the Chase National Bank of New York, in the dealers' loan rate, on short Governments, from ½ of 1% to ⅝ of 1%. . . . The decline was due more to a marking down and pulling of bids than to the pressure of liquidation. . . .

The whole market went off and practically all of the gains that had been made since last Thursday were given up. . . . The partially exempt issues were heavy and declined more than the rest of the list. . . .

SENSITIVE

The market is confused and jittery at the present time, and no doubt will be very sensitive to both international and domestic developments. . . . Nevertheless these uncertainties will pass, and with low money rates a necessity, advantage should be taken of price recessions to pick up obligations that meet one's needs. . . . There are a number of price and yield discrepancies in the market at present which afford an opportunity to rearrange maturities and at the same time improve income. . . .

It is during times like this that discriminating investors made good use of price movements to better the position of their holdings. . . .

CLAMPING DOWN

Borrowing, buying and trading of Government securities by individuals, financial institutions and corporations will be stopped by the "Federal Authorities." . . . It is reported that the cause for such action has been the trend of borrowings and Government bond prices from the end of the Sixth to the end of the Seventh War Loans. . . . A study of borrowings from the Federal Reserve Banks, shows that discount and advances reached a low of about $30,000,000 on January 3, 1945, with a steady uptrend to February 28, 1945, when they amounted to $321,000,000. . . . During that period the "Central Banks" holdings of bills increased $790,000,000, and certificates $30,000,000. . . . Notes were off $8,000,000 and bonds declined $107,000,000. . . . From January 3 to February 28, the bank eligible taxables advanced sharply, led by the 2½% due 1956/58, which went from 103 21/32 to 105 13/32, and the 2½% due 9/15/67/72 which advanced from 100 20/32 to 102 9/32. . . . All of the 2s, from 9/15/50/52 on, moved ahead more than a point with the December and June 2s showing the largest gains, going from 100 10/32 to 101 23/32 and 100 15/32 to 101 25/32 respectively. . . .

The last four partially exempts advanced more than a point during this period with the largest gain being made by the 2¾% due 12/15/60/65, which gained 1 21/32. . . .

Every one of the restricted bonds during this time advanced more than a point, as the 2¼s due 1956/59 led the move going from 100 23/32 to 102 13/32. . . .

Discounts and advances declined the next two weeks, with only minor changes being reported in Federal's holdings of Government securities. . . . The Government bond market was practically unchanged. . . .

STARTING POINT

By March 21, 1945, discounts and advances had declined to $193,000,000, which was the starting point of a substantial upward move that reached a peak and an alltime high on June 6, 1945, when they mounted to $912,000,000. . . . During that period the Federal Reserve System increased its holdings of bills by $853,000,000 as certificates declined $23,000,000. . . . Notes advanced $592,000,000 due to the refunding of the June certificates and HOLC 1½s with 0.90% notes. . . . (For practical purposes this short note may be regarded as a certificate.). . . . Bonds were off $19,000,000. . . .

From March 21 to June 6, the issues that could be bought by the Commercial Banks, did not show too substantial a mark up with the exception of the two longest taxable obligations. . . .

The 2½% due 9/15/67/72, was by far the best performer, advancing from 102 7/32nds on March 21, to 104 22/32nds on June 6, a gain of 2 15/32nds. . . . The 2½% due 1956/58 moved ahead during that time from 105 15/32nds to 106 24/32nds, an increase of 1 9/32nds. . . . The 2s shows gains ranging from 26/32nds for the 2s of 12/15/52/54, down to 2/32nds for the 2s due 6/15/49/51. . . . The long partially exempts during this period were unchanged to only ¼ of a point higher with the 2¾% due 1960/65 making that advance. . . . The restricted bonds advanced from ¼ to ⅝ of a point, with the exception of the 2¼% due 1956/59 which from March 21 to June 6 went up 2 4/32nds. . . .

Because this bond is the first of the restricted obligations to be eligible for bank purchase, it was heavily bought in anticipation of this. . . .

DOWN THE LADDER

From June 6th to August 1st discounts and advances declined from $912,000,000 to $399,000,000 a decrease of $513,000,000. . . . The low in borrowings since June 6, was on July 3, when they totalled $73,000,000. . . . From June 6 to August 1, the Twelve Federal Reserve Banks bought $208,000,000 of bills, $732,000,000 in certificates, and $40,000,000 in notes. . . . Bonds were unchanged. . . .

Prices of the bank eligible taxables, from June 6 to their 1945 highs, which were made between July 2 and July 16, showed only small advances, with the exception of the 2½s due 9/15/67/72 which again led the uptrend with an increase of 1 1/32nd. . . . The 2½s due 1956/58 were up 30/32nds. . . .

The 2s showed gains of ¼ to ⅜ths of a point. . . . The last four partially exempts went ahead from ¼ to ½ point. . . . The restricted bonds advanced ⅝ of a point, except for the 2¼% due 1956/59, which led the entire Government bond list with a gain of 1 7/32nds. . . . Since the middle of last month, the whole list has been on the defensive, particularly the longer term obligations. . . .

PRINCIPAL CONCERN

This study indicates that the point of concern to the monetary authorities has been the marked trend toward the longer term issues, both the bank eligibles and the restricted obligations. . . . This has taken place largely through borrowings and the sale of short-term low coupon securities to the Federal Reserve Banks. . . . The reported action by the money managers has tended to curtail somewhat the demand for the long bonds. . . . On the other hand it has not resulted in any great rush to buy the short terms. . . .

There is considerable question whether a change in the discount rate alone will substantially and permanently affect the demand for the long term bonds. . . . It is believed that in order to accomplish this, there must also be a change in the method of financing the deficit. . . .

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Relax Restrictions on Currency Imports

(Continued from first page)

No. 5 on the importation of securities issued or authenticated in the United States or Canada subsequent to Dec. 7, 1941, since the likelihood that any securities issued in the United States or Canada after the outbreak of war could have been looted by the enemy is relatively remote.

These changes were in the form of an amendment to General License No. 84 of the Treasury Department.

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The COMMERCIAL and FINANCIAL CHRONICLE

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The Financial Situation

It is interesting at times to speculate about the probable reaction of some outside observer, seated, say, upon a mountain top on Mars, to the behavior of homo sapiens. The current scene would be of special interest to him. In France he would see patriots — apparently with the approval of the other enemies of Germany—placing the life of their fellow citizens in jeopardy on charges of having "collaborated" with a foreign conqueror. At the same moment across the Rhine he could look down upon these other enemies of Germany — with the almost certain approval if not participation of France — busily engaged in seeking out and using German citizens who are willing or can be persuaded to "collaborate" with the conquerors of their country in the establishment of a regime harsher on the whole and certainly far more foreign to German history, custom or thought than was that of Germany in France. Yet to many, if not to most, observers in this country—and so far as can be ascertained, those in foreign countries—collaboration seems as natural and as commendable in Germany as it was thought to be unnatural and damnable in France.

Indeed, we suspect that merely to set these facts forth in this manner will prove shocking to many Americans whose patriotism is as unquestionable as we know ours to be. To such, Nazism and all its ways were so hateful and inhuman, which they were in many particulars, and the old regime in France, the Totalitarianism in Russia, and what still passes of the democracies of Great Britain and the United States so intrinsically meritorious and so perfectly suited to the needs of mankind the world over, which they are not in many particulars, that it is the plain privilege, nay obligation, of the conquerors in the present

(Continued on page 652)

From Washington Ahead of the News

By CARLISLE BARGERON

It seems a little silly at this late date to be writing about the atomic bomb which combined American and British genius have devised, because there will now undoubtedly be nothing of the world left, including the "Chronicle." It was not the purpose of American and British genius working in such collaboration as is seldom seen among men, to destroy the world, of course, but some one of those brave kid pilots will have carelessly dropped one of the bombs.

Carlisle Bargeron

As of this writing, it is not known just what destruction the bomb caused in Japan—just what was its effect. But the announcement certainly scared Washington almost to death, and the indications are that it didn't give the country any appetite.

There is needless apprehension on our part, we are assured. The young pilots are not to be permitted to bring any of the bombs home. Their sale at Macy's is to be prohibited. In the hands of another President, it is true that these infernal things might be dangerous, just as Mr. Roosevelt once said that such power as he had, in another's hands would be dangerous.

Mr. Truman plans to ask Congress to set up a commission to control this discovery. He is a typical American, a Middle Westerner, springing from the people, so there is no reason to believe he will permit it to be used against Republicans or Republican States. He can be trusted to use the bombs sparingly, so we can thank our stars that we have this sort of man in the White House. Even if he were to slip from grace, there is Charlie Ross, a Washington newspaperman, at his side. Charlie, it is pointed out, always has his feet on the ground.

Inasmuch as it is to take the place of oil, coal and water power as our energy of tomorrow, it is pointed out that oil can be used to kill off mosquitoes, and our scientists have gone so far with coal that it can furnish our chocolate bonbons and women's stockings. So there should be no great change in our economy, except you wonder what will be done with water power. Its elimination would kill off one of our greatest political controversies and a lot of politicians. The feeling is that for this reason it will be preserved in some form.

In the meantime the bomb that was dropped over Japan and the announcement of it here was

(Continued on page 659)

An American Politician Looks at the British Election

By ALF M. LANDON*

Former Presidential Candidate Holds That Since the Labor Victory Means Britain Will Be the First Democratic Nation That Embarks Upon a Complete Program of Government Ownership, It Will Be a Test of Whether Socialism Can Be Reconciled With Individual Freedom and Technological Progress. Sees Possibility of a "Third Party" In This Country With British Left Wing Program Which May Throw Republican Votes to Truman if He Opposes It. Points Out That if Labor Party Pushes Its Plans It May Be the Straw That Will Break Up British Empire. Says "Our American System Is Now Practically Isolated to Western Hemisphere."

I am tempted to start with a personal note—in a light vein. I was somewhat distressed to have good editorial writers refer to my first year in the major league as an inept campaign. Some of those same papers are now calling Mr. Churchill's campaign inept.

Alf M. Landon

1. Some see in the result a great danger and threat to democracy.

2. Others see it as depriving the world and the British Empire of leaders—valuable leaders particularly needed in the reconstruction period immediately ahead of us.

3. Others view the result with apprehension as inciting a world-wide leftist movement — just as Russia is abandoning the pure communism of Lenin and Trotsky and is following the line of Peter the Great.

4. The question is large in the minds of many as to whether the traditional foreign policy of the British Empire will be carried out or not.

As for number one, we will see for the first time an attempt to apply the principles of socialism—in a limited way—to a great democracy.

The domestic policies the Labor party advocated in this last campaign have been in use in part in many countries. Canada has a Government-owned trans-continental railroad operated in competition with privately-owned railroads. France has had a Government-owned telephone system and is headed towards a communal ownership of all industries.

No country, however, except Russia, has embarked on as nearly a completely Government-owned program as Britain has committed itself to in the last election.

We will now see — from the bleachers—how the principles of socialism will work in a democracy.

The arena is as vastly different from Russia as the policies. England, the home of the Magna Charta — the mother of parliaments—the land of Shakespeare and Milton—of Puritan and Cavalier—the first country of the old world to recover from the dark ages a new sense of dignity of the individual—is a vastly different arena than Russia.

Russia never has discovered the power to a country in religious freedom and political liberty. Communal ownership is as old as time itself. But, it has never been found in place with religious freedom and political liberty.

So even a limited communal ownership in a land whose proud boast for centuries has been that every man's home is his castle, is

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*An address by Mr. Landon before the Kiwanis Club, Topeka, Kans., Aug. 6, 1945.

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The Potsdam Agreement

The Big Powers Lay Down Provisions for Curbing Germany's Industrial Power to Wage War. Will Deprive Germany of Her Main Industries, Including the Merchant Marine and Removal of Industrial Equipment by Way of Reparations. Poland and Russia to Divide East Prussia. U. S. and Great Britain to Determine Disposal of Captured Gold.

On August 2, one day after the adjournment of the Three Power Conference at Potsdam, Germany, the text of the Agreement arrived and was released. In this text which contained no reference to the settlement of the war with Japan, there was outlined the treatment of Germany particularly with reference to de-industrialization and reparations, as well as a tentative reconstruction of the former Reich's boundaries. The Agreement established a Council of Foreign Ministers, which will include representatives of China and France, as well as of the "Big Three" to continue the necessary work for a peace settlement. The poltical as well as the economic principles to be followed with reference to Germany are contained in the Agreement. The principles evidently aim at curbing Germany's future economic power by depriving her of her main industries, by removing her industrial equipment, by disposing of her merchant marine, and by appropriating parts of her territory, such as industrial Silesia, East Prussia and parts of Pomerania. It is provided that the German gold captured by the Allies shall be at the disposal of Great Britain and the United States, Russia relinquishing all claims thereto.

The complete text of the Potsdam Declaration, as reported by an Associated Press dispatch in the New York "Herald Tribune" follows:

I

Report on the Tripartite Conference of Berlin

On July 17, 1945, the President of the United States of America, Harry S. Truman; the Chairman of the Council of People's Commissars of the Union of Soviet Socialist Republics, Generalissimo J. V. Stalin, and the Prime Minister of Great Britain, Winston S. Churchill, together with Mr. Clement R. Attlee, met in the tripartite conference of Berlin. They were accompanied by the Foreign Secretaries of the three governments, Mr. James F. Byrnes, Mr. V. M. Molotov and Mr. Anthony Eden; the chiefs of staff and other advisers.

There were nine meetings between July 17 and July 25. The conference was then interrupted for two days while the results of the British election were being declared.

On July 28 Mr. Attlee returned to the conference as Prime Minister, accompanied by the new Secretary of State for Foreign Affairs, Mr. Ernest Bevin. Four days of further discussion took

(Continued on page 656)

Why Not Just Go To Work?

"Now that we have laid the groundwork for external peace with justice, there remains the necessity to find the basis for peace with justice on the home front. We must create a mutual equitable relationship between capital and management, on the one hand, and organized labor on the other hand—protecting the legitimate rights of each, and always consulting the general welfare—to the end that needless strife shall not impair reconversion and permanently jeopardize the country and all its citizenship. . . .

"Therefore, I am moved to inquire whether you would not believe it possible to assemble a United Industrial Peace Conference of our own under your able chairmanship, in which all these interests may assemble—bound together, as they inevitably are, by the knowledge, whether admitted or not, that there can be no prosperity for one without common prosperity for all—and frankly face the need for a better, a surer and a wiser code for their mutual advancement in the desperately uncertain times that lie ahead in an otherwise chaotic post-war world.

"Is it not possible that such a conference could escape from entrenched rivalries long enough to deal fundamentally with the equities which are prerequisite to the healthy pursuit of better times for all—and for all America?"—Senator Vandenberg to the Secretary of Labor.

We fear that the Senator is much too optimistic about what was accomplished at San Francisco. We are certain that he is too hopeful about the results of such a conference as he now suggests—that is, if he would expect more than words.

Are we not growing a little delirious about collectivist action?

British Elections — Attlee, Labor Party Leader, Replaces Churchill as Prime Minister

Great Britain's Labor Party, advocating a Socialist program for national reconstruction, overwhelmingly defeated Prime Minister Winston Churchill's Conservative regime on July 26, and King George VI that night commissioned Labor Leader Clement R. Attlee to form a new government. A short time earlier Mr. Churchill had presented to the king the resignation of his defeated "caretaker" administration.

Stating that the Labor Party's lead in Commons seats over Winston Churchill's Conservatives was nearly 2 to 1, in compilations at mid-afternoon the Associated Press London advices July 26 said:

Mr. Churchill himself and Foreign Secretary Anthony Eden escaped the tidal wave and were returned to their seats in Commons, but a dozen of their most prominent colleagues were defeated.

The returns were from the July 5 election, the nation's first general poll in 10 years.

The Labor Party campaigned on a platform calling for nationalization of basic industries. From the Associated Press we also quote:

With votes in 627 of Britain's 640 constituencies counted, the Laborites and allied parties had captured 417 seats, against 210 for the Conservatives and their allies. Labor candidates had won 390 contests, Conservatives only 195. Results of the remaining 13 contests will not be made known until early in August.

Addressing a cheering, tumultuous mass meeting of his followers, Mr. Attlee said "we are embarked on a great adventure of democracy, freedom and social justice."

Simultaneously the outgoing Mr. Churchill, in a farewell statement to the nation as premier, declared that victory over Japan may come "much quicker than we have hitherto been entitled to expect."

"The decision of the British people has been recorded in the votes counted today," he said. "I have therefore laid down the charge which was placed upon me in darker times.

"I regret that I have not been permitted to finish the work against Japan. For this, however, all plans and preparations have been made.

"It only remains," he concluded, "for me to express to the British people for whom I have acted in these perilous years my profound gratitude for the unflinching, unswerving support which they have given me during my task, and for the many expressions of kindness which they have shown towards their servants."

Prof. Harold Laski, chairman of the Labor Party's executive committee, declared the Labor Party victory would make possible "full friendship with the Soviet Union."

At a mass meeting following the results of the election Mr. Attlee stated that "the first thing we have to do is to finish the war with Japan" and he declared "that we must see that our fighting men get all the support they need."

Mr. Attlee, who was Deputy Prime Minister in the Churchill government until after the defeat of Germany, returned to Potsdam to take up the Big Three (Truman, Churchill and Stalin) deliberations which were interrupted on July 25 to allow Churchill and his colleagues to return to receive election returns. Mr. Churchill on July 27 left No. 10 Downing Street, London, the official residence of Prime Ministers. Under date of July 28, London Associated Press accounts said:

Prime Minister Clement R. Attlee and the six senior members of his new Labor Cabinet took the oath of office today from King George VI at Buckingham Palace and then hurried across London to Beaver Hall, where members of the new Labor majority in the House of Commons held their first organization meeting.

Mr. Attlee and his new and forthright Foreign Secretary, Ernest Bevin, were scheduled to leave shortly for Potsdam along with Sir Edward Bridges, secretary to the Cabinet, and Gen. Sir Hastings Ismay, chief of staff to the Ministry of Defense.

The new Government leaders were sworn in after several members of Winston Churchill's Government saw the King and relinquished their seals of office.

Mr. Attlee's selection of the six Labor Party stalwarts as the nucleus of his Cabinet was hailed by the British Labor press as constituting a new deal in British Government.

With the new Premier due to arrive at Potsdam today to take his place as a member of the Big Three, his announcement of initial major appointments indicated that he was determined that national business should operate smoothly during his absence. The rest of the Cabinet will be named later.

Mr. Attlee himself took the posts of Minister of Defense and First Lord of the Treasury, which were also held by Churchill.

Other Cabinet selections were: Hugh Dalton, Chancellor of the Exchequer; Herbert Morrison, Lord President of the Council and Leader in the House of Commons; Arthur Greenwood, Lord Privy Seal; Sir Stafford Cripps, President of the Board of Trade, and Sir William Allen Jowitt, Lord Chancellor.

The state opening of Britain's new Labor-dominated parliament was postponed on July 29 from Aug. 8 until Aug. 15. King George VI it was stated will outline the government's policies in a speech from the throne.

With the resignation of Prime Minister Winston Churchill on May 23, he formally dissolved the wartime coalition cabinet formed by him in 1940, and on May 25 he announced the senior members of the Cabinet which he had been requested by King George VI to organize to serve until the election on July 5. While it was stated in Associated Press London accounts, July 5, that a new Government had been chosen that day it was added that the results would not be known until July 26, after the absentee soldier vote had been counted. The King in announcing the resignation of Mr. Churchill, made known that at the latter's request Parliament would be dissolved by Royal proclamation on June 15.

WLB Wage Policy To Be Debated

The plan of the National War Labor Board's public members to relax controls on voluntary wage increases is meeting with resistance on the part of both labor and industry, according to Associated Press Washington advices of Aug. 1. Details are to be withheld until labor and management can prepare dissenting reports. The proposal of the public members is being drafted for presentation to Economic Stabilizer William H. Davis as a preliminary to decision by President Truman, but announcement of specific points of the plan will not be made until the other members' views are ready for release simultaneously.

Appropriation Bill for War Agencies Approved

President Truman on July 17 signed a $769,364,850 appropriation bill financing operations of 17 home front agencies for the current fiscal year, said Associated Press advices from Washington on that day, which added:

"Containing $35,000,000 for the Office of War Information and $250,000 for the Fair Employment Practice Committee, the bill was the last of the big supply measures of the present Congress.

It was held up on Capitol Hill more than a month as Southerners fought to withhold funds from the FEPC."

The State of Trade

Viewed from the standpoint of its possible effects on American trade, the recent overwhelming victory of the Labor Government in England over that of the Conservative Party headed by Winston Churchill, means, according to "Business Week," in a current weekly analysis of "The War and Business Abroad," that Washington must importantly alter its plans for the implemation of its post-war commercial policy."

In setting forth its reasons for such a belief, the article points out that:

"Liberalized foreign trade—along lines outlined in the master lend-lease agreement—will get second billing by the new Attlee government. Pledged above all else to improve the standard of living, the Labor government has already given a clue to the stand it will take on most foreign trade issues by hinting that the distribution of food may have to be nationalized in order to assure minimum supplies of all basic foods.

"The same reasoning can be applied to the housing situation until the present acute shortage is eased. Since building authorities have intimated this will require a minimum of 10 years, the outlook for unrestricted trade in the whole range of building materials and supplies is not bright.

"Thus, bulk buying of imported supplies — along lines pursued during the war—can be expected to continue longer under the Labor government than if the Churchill Conservatives were in power. The same kind of government control is likely to continue for some time in the export field," the magazine observes.

"With only limited supplies of goods available for export, labor probably will see to it they are sold where the best bargain can be driven—in the form of essential raw material to meet domestic needs, or at particularly advantageous prices, or to boost Britain's long-term foreign trade position.

"Washington's plans to remove currency controls, lower tariffs and return trade to private hands will be bought only at a price from Britain's new leaders Labor's avowed intention to nationalize key industries is relatively less alarming to Americans despite the obvious adverse effects on the London Stock Exchange the past week. The Churchill government was as committed to nationalization of the ailing coal industry as is Attlee's. Labor, however, may speed up the process.

"If nationalization of transport," the article continues "means simply the creation of a public corporation to manage the unified industry, Britishers take comfort from the fact that the London transport system has long operated under such control—and at a profit to stockholders. The real test of Labor's ability to carry out its broad platform promises along this line will come when the iron and steel industry swings into the limelight.

"Admittedly obsolete though basic to a successful domestic development or strong export program, the industry is strongly entrenched and probably will put up the keenest opposition to government interference — particularly since it has already announced the beginning of a bold modernization program.

"Keys to an undertaking of the British shift to the left are these three factors:

"(1) While Britain is obviously giving socialization a tryout, change will come slowly, in line with the country's traditional caution.

"(2) Though industries will be nationalized, there is at least no threat to expropriate individual owners or stockholders without 'reasonable' compensation.

"(3) Despite the labor landslide, the Attlee government will remain in office only so long as it carries out to the satisfaction of the public the program it has promised."

Concluding, the article states that "Britain's democratic system still functions and Churchill's re-election to the House of Commons indicates that the Labor government will face a shrewd, experienced and determined opposition before it can sell to Parliament the innovations it proposes."

Steel Industry—Signs in the steel market the past week failed to encourage civilian manufacturers to expect early delivery on items which would start the reconversion wheels rolling at a reasonable speed. There were indications, however, that should the war with Japan end sooner than we expect, the steel mills would be in a good position to take full advantage of such an event. At present, deliveries to civilian steel users are no better than they were a month ago. Rated steel orders are still heavy and backlogs on such business large, so states "The Iron Age" in its current summary of the steel trade.

The past week has seen many reluctant civilian steel consumers, tired of standing on the order sideline, stepping up the volume of their orders without any idea when deliveries will be made. Among such consumers are the automobile group and home appliance makers. They are operating on the basis that those who place their orders first have the greatest chance to benefit, the magazine points out.

Just as steel users with non-rated business have awakened to the fact that heavy and severe war cancellations would greatly change the steel market picture so have steel producers themselves, and they in turn have set up so-called precautionary schedules that could be quickly put into operation should the war terminate suddenly. Notwithstanding this, there have been sudden spurts in demand for war steel which have both displaced the chances for early delivery of non-rated business and forced changes in schedules for orders carrying CMP ratings.

Mills are continually sorting and analyzing all non-rated orders to see what type of operational pattern can be made quickly as war contracts are cancelled and as war demands become less, according to the trade publication.

A sudden end of the Japanese war would for a short time paralyze steel finishing mills because of the impact of cancellations. The possible shutdowns would last only so long as alternate steel mill schedules could be put into effect. That ingot output would be severely slashed is not envisioned because of the need for raw steel when schedules have become reorganized. Once finishing mills are started again, the magazine continues, it is expected that most mills will have enough business in their backlogs to keep them running for from four to six months at capacity.

The steel industry is coming around to the belief that the effect of a sudden end to hostilities would not create the sharp dislocation in steel operations which was at first looked for. Contingent upon the further expansion in volume of non-rated orders which took a terrific upward drive in the Chicago district the past week, and providing there is not too much duplication of orders, the changeover from war steel output to complete civilian output will not be too great

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Lend-Lease Aid Abroad $39 Billion, Crowley Reports—Reverse Lend-Lease $5.6 Billion

Figures covering transactions of the U. S. Government abroad from July 1, 1940 through March 31, 1945, made public on July 31 by Leo T. Crowley, Foreign Economic Administrator, show that through March 31, the United States furnished $39,000,000,000 worth of lend-lease aid. In addition, it is announced, $373,000,000 of relief supplies were shipped through March for use abroad, mainly through U. S. Army. It is estimated, says Mr. Crowley, that by March 31 reverse lend-lease had reached $5,600,000,000. During the 4¾ years, Mr. Crowley indicates that according to reasonably complete reports, Government agencies spent $11,437,000,000 abroad and received $3,257,000,000, excluding purchases and sales of gold. It is added that "these Government disbursements have amounted to about 40% and private payments to about 60% of total payments abroad since July 1, 1940." A summary of the transactions in the 4¾ years, also has the following to say:

Mr. Crowley also announced that $585,000,000 of U. S. Government loans and advances made abroad since 1940 were outstanding on March 31. On that date the United States also held abroad installations built at an estimated cost to the United States of about $1,800,000,000, mainly for Army and Navy air bases, transport facilities, port facilities and troop housing accomodations. It was emphasized that these loans and installations figures are to a large extent included in the $11,400,000,000 total reported disbursements.

Disbursements Abroad

Over half of the $11,400,000,000 disbursed abroad was spent on supplies and materials, largely for war production and civilian uses in the United States. In many cases, Mr. Crowley said, the Government gets its money back by reselling the goods to private buyers in the United States. Nearly two-thirds of all supplies and materials procured abroad have come from Canada and Latin America. Copper, sugar, rubber, tin and aluminum, all vital scarce items, have been foremost in the procurement program.

Pay to the U. S. armed forces abroad has been the other big war-period foreign expenditure. Preliminary data indicate that over $4,000,000,000 has been put in the pockets of U. S. personnel overseas. This figure does not include the large amount of pay and allowances allotted directly to families, for War Bonds, and for other purposes in the United States. Payments to troops overseas have been heaviest in the United Kingdom, Australia, France and Italy. Remittances home since mid-1944, however, Mr. Crowley said, have totaled about two-thirds of all current pay to troops overseas, greatly reducing the impact of U. S. troop spending on prices abroad. In most cases, it was pointed out, U. S. troops abroad are paid in local currencies, and the figures reported represent the dollar costs of these currencies.

Relief Supplies Furnished

Through March 31 this Government furnished abroad as relief supplies $250,000,000 of foodstuffs, fats and oils. It also furnished nearly $50,000,000 worth of clothing and footwear, $25,000,000 worth of medical supplies, and $20,000,000 worth of coal and petroleum products. Agricultural, transportation and industrial equipment comprised most of the rest of the $373,000,000 total furnished. The great bulk of these supplies went to Europe, mainly to Italy and France. Over $300,000,000 of the total was civilian supplies furnished by the War Department, for which bills will be rendered to the foreign governments concerned. Other U. S. Government - financed supplies were furnished abroad through the American Red Cross, the United Nations Relief and Rehabilitation Administration, the Navy Department and the War Refugee Board. Relief supply shipments have been heavy since March 31, Mr. Crowley said, and June 30 figures may be double those for March 31. These supplies, it was emphasized, are in addition to civilan-type goods furnished under lend-lease and in addition to privately - financed relief.

Loans and Advances Outstanding

Repayment experience on the $1,100,000,000 of Government loans and advances disbursed since 1940 (since 1934 for the Export-Import Bank) has been very good, Mr. Crowley stated. Loan repayments have been made on schedule, with $511,000,000 now outstanding against disbursements of $888,000,000. All except $74,000,000 of $239,000,000 disbursed as advance payments against procurement abroad has been liquidated.

On March 31, the Reconstruction Finance Corporation held $281,000,000 still outstanding of $390,000,000 loaned to the United Kingdom before Pearl Harbor to finance needed war supplies. The Export-Import Bank on the same date had $204,000,000 of loans outstanding and $318,000,000 of undisbursed loan commitments. These loans and commitments, together with transactions since March, had used up the bank's $700,000,000 lending authority. Recent legislation has expanded the bank's lending authority to $3,500,000,000.

In addition to regular loans and advances, by March 31, $260,000,000 had been paid to China against a $500,000,000 financial aid commitment passed by Congress in 1942. The purpose of this aid is to help stabilize the Chinese economy and prosecute the war against Japan. Terms of repayment are to be settled after the war.

Installations

Only **very preliminary** figures are available on installations held abroad. As of March 31, however, 3,400 installations were reported, mainly by the War Department. A large number of these installations were received under reverse lend-lease at no cost to the United States, especially in the United Kingdom, Australia, India and France. The cost of U. S.-constructed installations held on March 31 was reported as $1,776,000,000, of which $828,000,000 was reported for airbases. The sum of $284,000,000 was reported as the cost of transportation facilities, and $239,000,000 of seaports, wharves and docks. Reported non-military facilities cost about $60.000,000, about two-thirds of which was spent on metal mining and processing facilities in Latin America.

In spite of the vast scale of U. S. military operations, the dollar cost to the United States of installations in Europe during this war was less than half the $185,000,000 spent in the last War. This was because most of the installations of the present war in England, France, Belgium and the Netherlands were furnished to the United States under reverse lend-lease. U. S. expenditures during this war were largest for installations in Canada, China, Iran, Cuba, and on the 99-year lease Atlantic bases received from Britain in 1940 in exchange for the 50 over-age destroyers. Canada pays cash for U. S. goods and services, Mr. Crowley recalled, and in turn does not provide reverse lend-lease to the United States. It was also recalled that U. S. construction of facilities on the 99-year lease bases is in accord with the original agreements made in 1940.

These figures have been gathered by the Clearing Office for Foreign Transactions and Reports established in the Foreign Economic Administration at the request of President Roosevelt pursuant to suggestions from members of Congress that some agency be made responsible for providing consolidated, over-all data on U. S. Government transactions abroad. The Clearing Office was set up as a service organization for Government agencies and for Congress. Detailed figures, classified by country and by type of transaction, are now being compiled regularly for the use of Congress and the executive branch of the Gvernment; data will be released publicly as security permits.

From special advices to the New York "Herald Tribune" from its Washington bureau we take the following relative Government disbursements and receipts during the 4¾ years:

By geographical areas, government disbursements were: American republics, $3,003,000,000; British commonwealth, $5,666,000,000; China, $837,000,000; France, $500,000,000; Italy, $124,000,000; the Netherlands, $234,000,000; Russia, $147,000,000.

Government receipts were: American republics, $248,000,000; British commonwealth, $2,005.000,000; China, $137,000,000; France, $446,000,000; Italy, $8,000,000; the Netherlands, $59,000,000; Russia, $12,000,000.

Loans and advances outstanding were: American republics, $585,00,000; British commonwealth, $302,000,000; China, $50,000,000; Russia, $25,000,000.

In lend-lease, the United States furnished American republics $38,972,000, received no reverse; furnished the British commonwealth $27,483,000,000, received $4,645,000,000 reverse; furnished China $309,000,000, received $4,000,000 reverse; furnished France $486,000,000, received $291,000,000; furnished the Netherlands $141,000,000, received $2,000,000, and furnished Russia $9,132,000,000, received $2,000,000.

U. S. Commerce Chamber Opposes Higher Payments For Unemployed

Opposition is voiced by the U. S. Chamber of Commerce to Administration proposals for payment of more liberal unemployment benefits to discharged war workers, saying that the assertion that the Federal Government "must provide supplementary unemployment benefits to meet the needs of the reconversion period is not borne out by the record." Reporting this, Associated Press advices from Washington Aug. 4 said:

> President Truman has asked Congress to authorize use of Federal funds to bring State unemployment payments up to a maximum of $25 weekly for 26 weeks during the reconversion period His request is scheduled for early Congressional consideration after the summer recess.
>
> The Chamber declared that an analysis of State unemployment compensation laws disclosed that "all States have liberalized their laws since the adoption of the Social Security system."
>
> The changes were said to include expanded coverage, larger benefits, lengthened duration of payments and reduced waiting periods.
>
> The Chamber also issued a report suggesting that public works provided an inadequate balance wheel for stabilizing the national economy, but asserting that public works could not carry the entire burden of stabilizing the construction industry. Private construction must be encouraged, it was stated, to maintain a steadier flow of investment funds into new structures and improvements.

To Urge Relaxation of Trade Controls

National Foreign Trade Council to Press Freedom of Enterprise Principle in New International Chamber of Commerce Council Meeting in London.

Eugene P. Thomas, President of the National Foreign Trade Council, on August 6, just prior to his departure for London to take part in the meeting of the Council of the International Chamber of Commerce, issued a statement in which he urged a more rapid progress in the relaxation of Government controls on international trade.

"Last year, at the International Business Conference in Rye," Mr. Thomas declared, "the way was cleared for decisive moves leading to the resumption of international commercial relationships in accordance with policies in which a large measure of uniformity was sought.

"The next major move, from the viewpoint of policy clarification, will be the meeting of the Council of the International Chamber of Commerce in London, which opens Aug. 14. It is expected that this meeting will be followed by an inter-Governmental conference on world trade problems early in 1946. The recommendations of the International Chamber, therefore, may well prove of major consequence.

"Traditionally, and through repeated public declarations, our Government stands committed to a policy of freedom of individual enterprise in foreign trade. Wartime restrictions on export and import transactions, as well as actual Government purchasing and distribution operations, have now been modified to some extent. The United States, however, will benefit most fully from its post-war foreign trade if a maximum of freedom is permitted those who conduct that trade. Restrictive regulations, indispensable in the earlier stages of the war, should now be lifted with increasing speed so that effective business adjustments can be made.

"The meeting of the Council of the International Chamber, its first since the outbreak of the war six years ago, brings together delegates from 20 countries. It is opportune as its agreement on recommendations may presage the restoration of peacetime world trade, and underscore the necessity for more rapid progress in the relaxation of Government controls imposed by all these countries and others on their foreign trade."

Approximately 20 countries will be represented at the first meeting of the Council of the International Chamber of Commerce to be called since before the outbreak of the war, which will convene in London Aug. 13. The United States will be represented by eight delegates from United States Associates, the former American section of the International Chamber, which is now headed by Philip D. Reed, Chairman of the General Electric Co.

Other U. S. delegates include William Black of Peat, Marwick Mitchell & Co., New York; Robert M. Gaylord, board Chairman of the National Association of Manufacturers, and President, Ingersoll Milling Machine Co., Rockford, Ill.; W. L. Hemingway, President of the Mercantile-Commerce Bank & Trust Co., St. Louis; Paul G Hoffman, Chairman of the Committee for Economic Development and President of the Studebaker Corp., South Bend, Ind.; Amory Houghton, Board Chairman of Corning Glass Works, Corning, N. Y.; William K. Jackson, Vice-President, United Fruit Co., Boston; Eugene P. Thomas, President of the National Foreign Trade Council, New York. John P. Gregg is Secretary of the delegation, and Executive Director of United States Associates.

Winthrop W. Aldrich, Chairman of the Chase National Bank, and recently elected President of the revived International Chamber of Commerce, will preside over the London meetings.

The countries to be represented at the London meeting of the Council of the International Chamber of Commerce are as follows: Australia, Belgium, Canada, China, Czechoslovakia, Denmark, Finland, France, Great Britain, Greece, Italy, Mexico, Norway, Portugal, Spain, Sweden, Switzerland, The Netherlands, United States, and Yugoslavia.

WPB Relaxing Controls Speedily as Possible

While "remembering always that the War Production Board's first job is the war against Japan," J. A. Krug, Board Chairman, stated on July 27 that "the Board is relaxing and canceling its wartime controls as speedily as the one-front war will permit." This does not mean, however, he said that with the revocation of an order, or the "open-ending" of any wartime controls, the American public can expect to see store shelves stocked with civilian items immediately. Mr. Krug observed that "victory in Europe—V-E Day—meant many things to many people. It meant two things to the War Production Board: (1) direction of all effort toward the full and quick prosecution of the war against Japan; (2) the beginning of reconverting America's industrial might to production for our peacetime economy." He continued:

"The War Production Board, in all of its public announcements of order cancellations, has been most careful to emphasize that other orders, other controls, as well as limited supplies of materials, may well be restricting factors toward the procurement of materials and components for production of any civilian end item.

"It must be borne in mind that reconversion involves many temporary and localized problems of production. WPB is doing everything possible to facilitate quick solution of these problems. It will get completely out of the way of business in the fastest time possible, removing all wartime controls consistent with the successful progress of our war against Japan. The War Production Board is doing everything possible to help break bottlenecks and to aid business, small and large, to reconvert quickly.

"All of this takes time. Our nation is still engaged in the toughest war in its history. Many materials—textiles, tin, lumber, certain chemicals—so essential to production of peacetime end products, are in tight supply and the military has first call on them.

"Perhaps the return of many civilian end products will not be as rapid as many have wishfully thought. In general, however, the picture is bright The War Production Board feels confident that American industry and labor, working as a team within our resilient economy, can achieve the same production goals in reconversion as were achieved in converting to meet a war-production program of tremendous proportions. With each passing day, materials will flow into civilian production in an ever-growing stream.

"V-E Day was the start of that stream. Already that stream is getting larger. It will continue to grow and grow as we draw nearer to our primary objective—the heart of Tokyo. Meanwhile, America's consuming public must be patient, for we must remember the war against Japan comes first."

The Financial Situation

(Continued from first page)

instance to "extirpate" the "ideology" of Nazi Germany, and perfectly natural for sensible Germans to wish to have a hand in the process and be applauded for it.

Out of Touch With Reality

Of course, there is a large, if not dominating, element of the wholly unrealistic in all such thinking. It simply does not correspond to the plain facts of the situation. Neither could the courses of action being taken on strength of it be successfully defended by appeal to reason or to history. But if this were all that is involved, perhaps the whole matter could without a great deal of harm be ignored as somewhat academic and removed from the practical day-to-day affairs of the peoples of the earth. Unfortunately, however, this is not all that is involved—not by any means. While we are patting ourselves on our backs upon the "avoidance of the errors of 1918", it is impossible for the detached and impassionate observer to escape the fear, not to say the conviction, that we are laying the basis for future wars or future chaos or both.

Indeed, it appears to us that the basic errors of Versailles are being repeated upon an immensely vaster scale. After World War I the treatment meted out to Germany made possible the success of Adolph Hitler and his cohorts in attracting Germans to his banner, and, for that matter, in gaining a not unsubstantial sympathy outside of Germany. A rather general feeling that matters were not very well handled at the peace conference and in subsequent years may very well have been in substantial part responsible for the "supine" course of France and Great Britain during the earlier days of Hitler's hectic and reckless career. For long years the "blunders" of Versailles, in the minds of Americans at least, lay in the scramble of the victorious powers to care for their own interests, and in the concomitant callous disregard, not to say contempt, for the welfare or the future of the German people.

Errors of Versailles

Now, so thoroughly has Germany proved undeserving and so fully have the Nazi policies alienated the sympathies of the world, indeed won the embittered hatred of the most of the remaining peoples of the universe, that the "errors of Versailles" have come to be the failure then to condemn German nation to virtual extirpation, and the German people to permanent impotence and penury. The "blunders" of the post-Versailles years are now regarded as the failure to march into Germany and decapitate both Hitler and his followers when they first raised their heads. This sort of doctrine appears to have ruled the minds of the "Big Three" at Potsdam. Certainly the determination to look after territorial and other "interests" was no less in evidence than it was at Versailles. Indeed the process of looking after them was much more vigorously and much more boldly pursued—and, so far as known, without anything akin to the Wilsonian protests. Equally evident is it that the determination simply to "put Germany out of the way" for good and all is much more controlling today than it was in 1918.

The simple truth of the matter is that were it not for the examples set by Russian and German totalitarianism (for which read man's inhumanity to man) in the interim, it would be impossible for most men to credit their senses when they read of some of the determinations reached at Potsdam. The grand manner in which territory is taken away from people owning it for centuries and handed to others who never had possession of it—and, indeed, had so far as known in some instances made no claim upon it—has no parallel in modern times. Upon the scale it is indulged in now, there is certainly no precedent in human history. The mass shipment of peoples about Europe as if they were cattle is quite beyond anything heretofore known, and plans for the massing of German peoples in what is left of Germany, crippled as it is from the war and the bombing, and as further crippled as it is to be by exactions in the name of reparations—to say nothing of the arbitrary over-all limitation of the "standard of living" of the German people in the years to come—all this must, of necessity, raise incredulous questioning in the minds of any sane man.

Not the Whole Story

Nor is this the whole story. If apparently reliable accounts are to be trusted, a good deal is yet to be done—a good deal which could not be accomplished at Potsdam, partly at least because of conflict of the imperial interests of Russia and Great Britain. In such matters as these it appears that the interests of third parties which did not at some early date take an active part in the fight against the Axis are to be ignored almost as completely as are those of Germany itself—and this quite regardless of whether such countries had any solid ground for going to war against Germany or any one else. Apparently, in a "modern" war every country, great and small, with but very few special exceptions, must quickly "pick the winner" and "join up", or later take the consequences, which are not likely to be pleasant. This seems to be the lesson for neutrals out of the Potsdam meeting. So far as known not even the Nazis, the Fascists, or the Japanese ever reached this extreme of world domination — although of course they might have taken a similar course had they won the war.

The Real Question

But the real question is this: Do such policies as these and the programs to which they necessarily give rise encourage peace and progress in the world? Unless one is prepared, as we are afraid all too many are, to accept the Pax Romana idea of world peace, it is difficult for us to understand how anyone could possibly answer a question in the affirmative.

Progress in Drive Against Tax Evaders

Secretary of the Treasury Vinson made public on July 30 the following memorandum, addressed jointly to Joseph J. O'Connell, Jr., General Counsel of the Treasury Department, and to Joseph D. Nunan, Jr., Commissioner of Internal Revenue:

"As one of my first official acts as Secretary of the Treasury, I want to make clear my firm determination that the Treasury Department drive against tax evaders shall be prosecuted to the utmost.

"As President Truman has said:

"'We are not fighting this war to make millionaires, and certainly we are not going to allow the black market operators or any other racketeers to be in a favored class, when the men in the armed forces, and our citizens generally, are sacrificing so heavily.'

"I should like to have you prepare for me at once a joint report indicating what progress has been made to date on this important Treasury task, and specifying what further action is recommended to make our efforts fully successful.

"I am going to back this drive all the way.

"Copies of this memorandum should be made available to all officials of the Bureau of Internal Revenue and to other interested Treasury personnel."

Air Mail Restrictions

Postmaster Albert Goldman announced July 30 that information has been received from the Post Office Department at Washington that effective at once, articles weighing up to 1 pound may be accepted for dispatch by air to the destinations listed below:

Algeria, Azores, Belgium, Corsica, Denmark, Faroe Islands, France, Gibraltar, Great Britain and Northern Ireland. Iceland, Ireland, Luxembourg, Madeira Islands, Morocco, Netherlands, Norway, Portugal, Rio de Oro, Spain, Sweden, Switzerland, Tunisia, Union of Soviet Socialist Republics.

The restrictions limiting the weight of air mail articles for said countries to two ounces are modified accordingly.

N. Y. Board of Trade Acts on Sterling Pool

The Executive Committee of the New York Board of Trade, following the address of Congressman Emanuel Celler on the restrictions on American foreign trade imposed by the British Sterling Pool (see the "Chronicle" of Aug. 2, page 514), passed a resolution on July 27, authorizing the organization to make a complete investigation into the operations of the pool, with particular reference to its effect in hampering United States exports. This was in line with Congressman Celler's recommendation. Mr. Celler pointed out the handicaps imposed by the British sterling pool on our trade with India, South Africa and other members of the Sterling Area.

Hearing on Full Employment Bill

Legislation designed to aid in establishing full post-war employment is due for early consideration when Congress reconvenes after its summer recess. A subcommittee of the Senate Banking and Currency Committee held two days of hearings, prior to the Senate's adjournment, on a bi-partisan measure which aims to provide Federally financed work when private investment and expenditures fall below the level necessary to furnish jobs for enough people, the Associated Press reported from Washington, July 30 and 31.

The measure would require the President to submit to Congress each year a "national production and employment budget." A new division would be set up in the President's executive offices to calculate how many jobs are available to the nation and how many wage earners there are for the jobs. The "job budget" would be sent to Congress which then would work out with private industry how best to avoid deep slumps in employment. Federal projects would be the next resort. The Associated Press reported:

The committee chairman, Senator Robert F. Wagner, Democrat, of New York, and Senators James E. Murray, Democrat, of Montana, and Wayne Morse, Republican, of Oregon, saw the issue of post-war employment as the primary factor in the British election upheaval which ousted the Churchill government.

"The war-weary British," said Senator Wagner, "were not satisfied that the government in power was sufficiently resolute in its determination to achieve post-war full employment."

Senator Murray said the British have "turned toward Socialism" as a possible solution to post-war security. Unless America provides a program of job opportunity for all, he added, there'll be "nothing but conflict and recrimination" for the traditional United States capitalistic system.

Senator Morse commented: "It was recognized that the young men of Great Britain were confronted with the danger of no economic opportunity when they return from the wars."

The Oregonian, a labor expert with the National War Labor Board before he came to the Senate, declared "Democracy rests on capitalism and capitalism rests on democracy. . . . If we don't make them work together, we'll lose both."

Senator Morse spoke also for Senators Charles W. Tobey, Republican, of New Hampshire, and George D. Aiken, Republican, of Vermont, requesting permission to appear next fall with amendments and to seek the right to be cosponsors of the measure under consideration.

Senator Joseph C. O'Mahoney, Democrat, of Wyoming, explained in detail, by chart, the economic history of the nation, which he said, was replete with the "boom or bust" cycle of depression and great prosperity.

Unless government plans now how best to utilize private enterprise, "we'll lose our freedom," he said. Where private enterprise is unable to take up the slack, the government must be prepared to step in, he said.

Senator O'Mahoney said the relief spending of the '30s was "inefficient and unproductive because WPA avoided the use of machines. "We must avoid another WPA."

The following day Senator Elbert D. Thomas, Democrat, of Utah, stated to the committee, according to the Associated Press: "In the adoption of the selective service act the Congress accepted the theory of guaranteeing a man called under the draft his job when he returned to civilian life." The principle of full employment was further sanctioned in the passage of the surplus property disposal act, he added.

Full employment was written into that bill's objectives to be a guidepost in the disposal of surplus war property, Senator Thomas asserted.

Representative Patman, Democrat, of Texas, said the bill had nothing to do with "made" work nor was it intended to help those unwilling to work. Testifying in behalf of the legislation, he asserted:

"We are talking about useful employment, not just made work. We are talking about opportunities for all who are able to work and who are willing to work."

Mr. Patman noted the bill's proviso that the Federal Government "has an obligation" to take up unemployment slack when private enterprise is unable, but he said: "This can mean useful public works necessary and desirable public services. It can mean direct or guaranteed loans to veterans, home owners, State or local governments. But the major point is that there is to be no new WPA."

The hearings before the Banking Committee were recessed until Congress returns, Oct. 8.

N. Y. State Banks Amass Half Billion for Post-War Credit to Small Business

The banks of New York State are prepared to lend small business more than a half billion dollars in the post-war battle against unemployment, the New York State Bankers Association announced on Aug. 4. To make certain that even the smallest bank will be able to meet the credit needs of its community, the New York City banks have created a $100,000,000 credit group which will participate in loans that exceed the lending limits of smaller institutions.

The Association reports that it has conducted a survey to determine the impact of the war on the State's 700 commercial banks and to help them plan for the future. It disclosed that the banks will have a total of $503,025,651 available for loans to retailers, wholesalers, small manufacturers and other businessmen. The Association further says:

"Fifty per cent of the banks said they had organized a department for making loans to small business and 85% stated that they had publicized the fact that such credit would be available.

"To meet the specialized credit needs of the reconversion period banks are perfecting techniques and forms for term loans to be paid off in installments over a period of several years, field warehouse loans, loans against accounts receivable, trust receipt loans and other types of credit especially designed to help the businessman who is trustworthy and competent but who has only a moderate amount of capital."

Mead Committee Urges Single War Output Head

The Mead War Investigating Committee of the Senate, in its fourth annual report, urged that a one-man control be established over all war mobilization and production, and recommended that the Office of War Mobilization and Reconversion, with John W. Snyder at its head, take direct control over all war agencies on a supervisory operating basis, according to special advices to the New York "Times" from Washington on July 29. The revised set-up was necessary, the Committee stated, if widespread post-war unemployment was to be averted with its serious economic repercussions.

Characterizing the work of smooth reconversion to peacetime industrial activity as of foremost importance, the Committee went on to say that this work could be accomplished only by an agency with the highest authority.

Included in the Committee's report was the blunt assertion that the Administration had failed so badly to prepare the country adequately for the transition from war to peace, the New York "Times" continued, that "should the war with Japan end at an early date, we will find ourselves in a sorry state economically." The balance of the "Times" advices stated in part:

The Committee criticized the Office of War Mobilization, once headed by James F. Byrnes, now Secretary of State, and later by Fred M. Vinson, now Secretary of the Treasury, as not trying "to run war mobilization." Instead, it was asserted, the office had been content with the role of "conciliator" and "umpire."

"It must plan and issue orders and not confine itself to umpiring disputes," the report said. "At this stage of the war program, it is particularly the reconversion functions of this office which require such attention. The office also should be empowered, organized and staffed so that it can take active steps to aid reconversion, including action cutting across inter-agency lines in the furthering of individual reconversion projects.

"We must get a move on or we will get into real trouble, especially if the war against Japan should come suddenly to an end," the report said.

"If that happens, and we all hope and pray that it will, we will be largely unprepared to cope effectively with the many home economp problems. Reconversion will not have progressed far enough to absorb the manpower that will suddenly be released. Government work programs, designed to cushion the shock, will not have been established. We will probably experience widespread unemployment.

"The job ahead is not easy. And much is at stake. We must accomplish our objectives because failure can prove as costly as military defeat."

Beyond its recommendation for revitalizing of the Office of War Mobilization the Committee made specific recommendations that civilian agencies dealing with foreign governments and peoples be integrated under the Secretary of State.

Speeding up of reconversion and expediting of war program cut-backs, giving ample advance information on these plans to industry, were called for.

Attention must be given to the conservation of the country's resources, the Committee asserted, to the accumulation of stock piles of strategic materials, and technological research.

The report had much to say about manpower.

Deploring the handling of the war surplus problem to date, the Committee said:

"Surpluses must be moved more expeditiously, with less confusion and with a much more definitely coordinated policy as to the objectives to be sought in their disposition. Both at home and abroad the surplus disposal picture has been unsatisfactory."

As to cut-backs, the Committee was of the opinion that "even a larger cut can, and will, be achieved in war production," between now and early next year than the 35 to 40% below the the level of last March which is contemplated.

It gave the following reasons for this conclusion:

"Larger quantities of supplies are now being produced and shipped, and made ready for shipment than can be immediately discharged, utilized or promptly stored and secured in the advance Pacific bases at this time. Vast quantities of equipment are in the European theater and available for redeployment.

"When these have been fully inventoried, the War Department will probably be able further to revise downward its requirements for new production.

"It also would be aided if the greatest use is made of materials lend-leased to our Allies who no longer have need for them.

"It also appears likely that as the war in the Pacific develops, the War Department will find that its present procurement schedules will build large inventories above actual needs."

The Committee was especially critical of the dual failure to deal adequately with surplus disposal and speeding up of industrial reconversion.

"We are short almost everything," the Committee declared. "Prices have continued to rise. Each day adds to the possibilities of the development of an inflationary wave."

In conclusion, the Committee stated it is making a study of means for "setting up a peacetime organization designed to keep us from again becoming unprepared to defend ourselves."

In setting out its conclusions the Committee had the following to say, in part:

"Although progress is being made, reconversion has not proceeded as swiftly as it should have following the cessation of hostilities in Europe. Retarding factors include delay in planning, delay in announcing and making cut-backs, lack of both raw and semi-finished materials and tools, insufficient information available for industry to make plans far enough in advance, and lack of manpower in some key places.

"There has not been sufficient help from the Government to industries and business desiring to reconvert. This lack is particularly noticeable in connection with problems which cut across the jurisdictional lines of existing agencies. These require the active intervention of a top agency with power to get results. The Office of War Mobilization and Reconversion, acting too often as a conciliator rather than an executive, fails to fill this need.

"The progress which has been achieved is due in large part to the WPB which promptly revoked a large number of orders and regulations and 'open-ended' the controlled-materials plan.

"The slow pace of reconversion and the failure to release large surpluss by this time, taken together with the continued high income of the public and the return of large numbers of soldiers, creates an increasing danger of inflation due to the large amounts of money in circulation and the relatively small amount of purchaseable goods.

"Widespread unemployment has not developed up to this point mainly because of the number of workers and veterans taking vacations, the backlog of labor needed by civilian industry and the slowness with which war production is being cut back

"The fact that we have escaped serious unemployment up to this time should not mislead us into the belief that all is well. The Army has a great reservoir of manpower which it is very slow in releasing. Industry requires a relatively insignificant portion of this manpower to aid in speeding up reconversion, but up to this point has received very little help in the form of releases from the Army."

The Committee recommendations as given in the "Times" account follow:

"1. The Office of War Mobilization and Reconversion should be put on a supervisory operating basis with direct control over the other war agencies. It must plan and issue orders and not confine itself to umpiring disputes. At this stage of the war program, it is particularly the reconversion functions of this office which require such attention. The office also should be empowered, organized, and staffed so that it can take active steps to aid reconversion, including action cutting across inter-agency lines in the furthering of individual reconversion projects. There is little work of more importance today. It can be accomplished only by an agency with the highest authority.

"2. The various civilian agencies dealing with foreign governments and peoples should be integrated under the Secretary of State.

"3. We must now utilize and divert into peacetime channels our productive capacity that is not needed for our military production. Our first responsibility is the winning of the war as soon and completely as possible. For that reason there should be no diversion of production capacity of manpower that would conflict with this program. On the other hand, the war production and military manpower needs should be reviewed with the utmost care from the point of view of the earliest possible relief of bottlenecks in the reconversion of industry to peacetime purposes. There should be the most careful consideration given to, and the coordinated efforts of all war agencies concentrated on, the release now from the armed forces of a limited numbr of men whose services are essential to early reconversion of industry. Small numbers of men released now for this purpose will make possible sooner the employment of much larger numbers of workers who will be released from war production. Among the principal industries needing workers in this category are lumbering, transportation, coal mining, cotton textiles, and, to a limited but important extent, steel. War production programs should be cut back as soon as possible, with more advance notice to industry than in the past.

"4. In order to direct workers to the places where jobs will be available and to provide the types of workers needed where industry is short of labor, accurate information must be gathered and made available to workers and employers throughout the country.

"5. Surpluses must be declared and moved more expeditiously and with a more definitely coordinated policy concerning the objectives to be attained in this disposition.

"6. Attention must be given to the conservation of the country's resources, to the accumulation of stock piles of strategic materials and to technological research."

Redeem Panama Bonds

Holders of 26-year 3½% external secured refunding bonds, series B, due March 15, 1967, of the Republic of Panama are being notified that $112,000 principal amount of these bonds have been drawn by lot for redemption on Sept. 15, 1945, at 102½%, through operation of the sinking fund. Redemption will be made at head office of the fiscal agent, The National City Bank of New York, 55 Wall Street.

Dress Manufacturers Declare OPA Price Order "Ruinous Rather Than Regulatory"

In a brief filed in Washington on July 30 with the Office of Price Administration, the Affiliated Dress Manufacturers, Inc., urged modifications of the OPA's maximum average price order, contending that the order as constituted at present will defeat its own purpose because it is "ruinous rather than regulatory." The brief asserts that, unless modified, the regulation "will destroy the gains made by American fashion during the war," according to an account in the New York "Herald Tribune" of July 31, which went on to say:

"Prepared by Louis Nizer, counsel to the organization, the brief describes Affiliated Dress Manufacturers, Inc., as composed of 278 firms—one-third of the number of dress producers in New York—and doing an annual volume of $200,000,000, one-third of this city's total output. Price lines covered by the membership range from $22.75 and up to $5.75 down. According to the brief, New York City accounts for 85 to 90% of the nation's unit output of dresses and 80% of the dollar volume.

"Declaring that Affiliated desired 'in essence to improve the order by making it more workable' and that the 'hardships for the attainment of M. A. P.'s aims were accepted as inevitable,' the brief asserted that the association wished 'only to eliminate certain oppressive features which are not only unnecessary but actually are inimical to those purposes.'

"Among the subjects covered in the nine specific recommendations for relief are an allowance of 10% for increased costs, this being described as covering only a fraction of the actual increase; a tolerance of 10%; the exclusion of inventories on hand when M. A. P. went into effect from the application of the order; an optional broadening of categories; the exclusion of mark-down and close-out sales in the base period from the M. A. P. computation; the liberalizing of the surcharge provisions, this to include, among others, the extending of the initial make-up period from 30 to 60 days; allowances for general changes in conditions since 1943; simplification of record-keeping provisions and the granting of recognition for the specific problems of the couturiers to avert highly destructive repercussions upon the American fashion field and the industry as a whole."

Wills on FCC

Ex-Governor William H. Wills, of Bennington, Vt., took his oath of office on July 25 as a member of the Federal Communications Commission, to succeed Norman S. Case. He was appointed by President Truman on June 13, and was confirmed by the Senate on July 12.

The new Commissioner served two terms as Governor of Vermont—from 1941 to 1943 and from 1943 to 1945. He was born in Chicago on Oct. 26, 1882, of Vermont parents who returned to Vermont with him when he was still a small boy. He was educated in the public schools of Vermont and has honorary LL.D. degrees from Norwich University the University of Vermont, and Middlebury College. He was in the dry goods business from 1900 to 1915 when he entered the real estate business. He has been President of the William H. Wills Insurance Agency, Inc., Bennington, since 1928. He is a former director of the County National Bank. Commissioner Wills began his political career when he was elected to the 1929-3 term as a member of the Vermont State House of Representatives. He was a State Senator from 1931 to 1935 President pro tem from 1935 to 1937. He was elected Lieutenant-Governor in 1937 and Governor in 1941, was re-elected in 1943.

OPA Pricing Retards Reconversion in Upholstered Furniture

The assertion that the Office of Price Administration reconversion pricing has set the "profit factor" for the upholstered furniture industry so low that a lull in production will ensue and the industry's transition to normal peacetime output will be retarded was made on Aug. 1 by Irving R. Kass, counsel to the Upholstered Furniture Manufacturers Association, who declared that the OPA is "holding reconversion back with a tight fist, anything that they may state for the record notwithstanding." In thus making known the exception which Mr. Kass takes to the policy of the OPA, the New York "Herald Tribune" of Aug. 2 added:

Reconversion in the upholstered furniture industry, Mr. Kass pointed out, is largely a question of shifting the same or an additional number of men and machines from Government to civilian work, and extending operations into the lower-priced furniture field for the mass market, now largely discontinued in favor of quality production.

Declaring that the industry will find it impossible to reconvert, expand its payrolls and risk capital for what he termed "nominal returns," he asserted that "the economic situation in general may reach a point where the OPA in controlling inflation may cause a depression instead."

Citing "the unsuccessful MAP program, which even the OPA now concedes was a bit premature," Mr. Kass urged that "profitable competition be invited to the point where supply overtakes demand with a consequent lowering of price, thus doing away with the necessity of controls and ceilings." He asserted that "we had that right after V-E Day, when the manufacturers were trying to sell merchandise below their ceilings, due to a lowered demand."

Skeleton Meeting of Wholesale Druggists

Because of the wartime travel emergency, the National Wholesale Druggists' Association has decided to substitute a skeleton meeting of its officers for the usual annual meeting of the membership in September, according to an announcement by E. Allen Newcomb, Secretary. The Executive Committee of the N.W.D.A. has worked out a plan by which all essential business of the annual meeting can be transacted through the use of proxies, Mr. Newcomb said. He explained that reports of special committees, nominations for various offices and information on all problems requiring decisions are being sent to the membership, along with proxy forms on which the 215 active members are asked to designate one of the officers or members of the Board of Control to act for them.

The skeleton meeting will be held in New York on Sept. 27 and all special papers prepared for the meeting will be made available to the entire membership as usual, he said.

Revised Federal Budget Entails $85 Billions

Acting on instructions from President Truman, Budget Director Harold D. Smith, on August 1, issued a revised Federal budget of $85,000,000,000, on the assumption that the war with Japan would last until next summer or longer. The fiscal year 1946, which began July 1, anticipates Government spending of $85,000,000,000, compared with the $100,000,000,000 in fiscal 1945.

In reporting the issuance of the revised budget, the Associated Press in its Washington dispatch of August 1, pointed out that the new estimate is slightly above the $83,000,000,000 estimate sent to Congress last January, primarily because of our new obligations in the field of international finance.

As far as the January estimate of war spending is concerned, there has been no change in the earlier figure of $70,000,000,000, even though the European war has ended since that time. Mr. Smith stated that if the Pacific war should be over before the end of fiscal 1946, the "outlook would be drastically altered."

War spending in the fiscal year just ended was $90,000,000,000. Thus a $20,000,000,000 drop is contemplated.

Mr. Smith said war production is sinking to a one-front level. He declared that even on this level, war production will be "enormous"—enough to assure United States troops "overwhelming superiority in weapons and fire power."

In addition, the $70,000,000,000 will pay for redeployment, plus requirements for occupation and relief in Europe.

The 1946 budget now contains, the Associated Press reported, three new items of expenditure for international finance, as follows:

1. Payments to the international monetary fund, $950,000,000. This doesn't include $1,800,000,000 which will also go into the international fund but which is not to be counted as an expenditure because it will be simply transferred from the Exchange Stabilization Fund established in 1934.

2. Payments for capital stock of the International Bank for Reconstruction and Development, $317,000,000. This is 10% of the total United States quota in the international bank.

3. About $1,000,000,000 for capital stock of the Export-Import Bank. Congress authorized further expansions of this institution—by increasing its borrowing authority to $2,500,000,000—but this won't appear as a Federal expenditure.

Thus, international finance adds nearly $2,300,000,000 to the 1946 budget.

Receipts for the fiscal year now are estimated at $39,000,000,000, compared with the record-breaking collections of $46,500,000,000 in the year just ended.

(Reduced Federal spending is expected to cut national income, with a resulting drop in tax payments.)

The new $39,000,000,000 estimate for receipts is $2,200,000,000 less than estimated in January. The main reason for this revision is the new business-aid tax law permitting corporations to take certain refunds currently instead of waiting until after the war.

Since receipts will drop less than expenditures, the Federal deficit will be less this year—dropping from $54,000,000,000 to $46,000,000,000—but Mr. Smith said this fact "should not suggest that we need to be less concerned about economic stabilization."

In this connection, he told reporters that "the faster we can get reconversion moving, the less difficulty we will have with problems of economic stabilization."

He indicated that a powerful weapon in preventing inflation is fast production of civilian goods.

Mr. Smith said the Federal debt will exceed $295,000,000,000 by the end of the fiscal year, next June 30, if the Pacific war continues until then.

An increase of $36,500,000,000 in the debt is forecast during the 12 months.

The cash balance of the Treasury, around $25,000,000,000 at the start of the fiscal year, is expected to be $10,000,000,000 less when the year ends.

In January, it was estimated that $73,000,000,000 of Congressional authorizations for war would be required for fiscal 1946. This total, however, was reduced to $66,000,000,000 in later months, because of the victory in Europe.

Congressional authorizations do not jibe with expenditures for a given period, since funds authorized for one year may not be spent in that year.

"The fact that the annual deficit is decreasing," Budget Director Smith warns, "should not suggest, however, that we need to be less concerned about economic stabilization. Government expenditures and borrowing which are still very high now coincide with an increasing demand on the economy by business for reconversion purposes, and, meanwhile, civilian supplies of scarce items are expected to increase only gradually. This situation creates problems with which reconversion and stabilization policies must deal."

"It must not be forgotten," he adds, "that the 1946 Budget and the foregoing appraisal of its economic impact have been based on the assumption that the war will continue throughout the fiscal year. If the war should end earlier the outlook would be drastically altered. We would then be faced with the problem of rapid demobilization. This would inevitably mean more unemployment. Its extent would depend on the degree to which our reconversion machinery is geared to take its full load at an early date.

"Under the assumptions of this Budget, the main lines of fiscal policy stated in the President's Budget Message for the fiscal year 1946 are as valid today as they were last January. As long as we are engaged in a major war, reductions in wartime tax rates are not justified. Government expenditures for purposes other than war should be limited to essentials. While forward planning of public works should be encouraged, actual construction should be deferred until such work can be integrated properly with war needs and orderly reconversion. In the meantime, it is of utmost importance that all agencies prepare their plans not only for continuing war but also for early peace and demobilization. These Federal policies, especially if they are reinforced by similar action of State and local governments, will contribute substantially both to wartime stabilization and to the speed and effectiveness of reconversion."

Truman Signs Tax Bill

Announcement that President Truman has approved reconversion tax legislation intended to encourage big and little business in returning to peace-time production was made at the White House on Aug. 4.

United Press Washington advices on that date noted that the bill will raise the excess profits tax exemption on corporate earnings from $10,000 to $25,000, beginning next Jan. 1, and will advance the payment date for $5,540,000,000 in tax refunds.

The measure made no change in business tax rates or in personal tax rates or exemptions.

It is understood that the bill was signed by the President on July 31. Completion of Congressional action on the bill was reported in our issue of July 26, page 434.

Urge Prevention of German Domination of Optical Glass Industry

The statement that World War II has given the United States supremacy in production of optical glass and it must exert eternal vigilance to prevent Germany from ever again threatening that dominance, was made on Aug. 6 by M. Herbert Eisenhart, President of Bausch & Lomb Optical Co., to the United Press at Rochester, N. Y. Elmer C. Walzer, United Press Financial Writer, in Rochester advices appearing in the New York "World-Telegram," reporting this further quotes Mr. Eisenhart as follows:

"Modern wars are optical wars," he declared, "and optical glass ranks equally with gasoline, rubber and essential metals on the list of critical military materials.

"Records show that our optical glass has matched and surpassed, in quality and quantity, the best that Germany has to offer. The successes of our Navy and Army prove what we have known—that America leads the world in design and manufacture of all optical products."

America's industry surmounted a difficult problem in optical glass in World War I, he explained, but when the war was over the many companies using optical glass resumed purchase of it from the Germans, who were able to produce it more cheaply.

His company, however, continued to turn out the valuable material, Mr. Eisenhart said, and when the second war came it was in a position to supply at once the glass needed for military instruments when the German supplies were cut off.

These instruments included giant, as well as small, range finders; gun sights for tanks, planes and ships; binoculars, searchlight reflectors, microscopes, photographic apparatus and numerous technical devices indispensable in warfare.

Big Three Message to Churchill Lauds Work

In a message addressed to Winston Churchill, on Aug. 2, by the Big Three, incident to their Potsdam (Berlin) Conference, they stated that the "whole world knows the greatness of his work, and it will never be forgotten."

According to Associated Press advices from London, Aug. 2, the message read:

"President Truman, Generalissimo Stalin and Prime Minister Attlee, assembled at the final session of the Berlin conference, desire to send a message of greetings to Mr. Winston Churchill. They wish to thank him for all his work in the first part of the Berlin conference, which helped greatly to lay the foundations of its successful conclusion.

"They remember with gratitude the untiring efforts and the unconquerable spirit with which at earlier conferences and throughout the war he served our common cause of victory and enduring peace. The whole world knows the greatness of his work, and it will never be forgotten."

The same advices stated that the Big Three also sent a message to former Foreign Secretary Anthony Eden, noting "the lasting value of his work at earlier conferences and international meetings which has contributed so much to victory, unity and peace."

As was noted in our issue of Aug. 2 (page 547) the new British Prime Minister, Clement R. Attlee, with his newly-appointed Foreign Secretary, Ernest Bevin, flew to Potsdam following the British elections to take the places of Messrs. Churchill and Eden at the Big Three conference.

An American Politician Looks At the British Election

(Continued from first page)

vastly different than total communal ownership in the land of the Cossacks and the Czars.

The conception of a likeness of the policies of the Commintern and the British Labor Party comes rather from a somewhat similar background rather than a direct connection.

A vast social gulf exists between the labor scale in Russia based on piecework and the labor scale in Britain and America based on a common level.

Britain has decided to graft a socialism on an ancient system of individual enterprise without disturbing the fundamental rights of the individual. A Labor Government must now cease to speak for labor alone and must speak for all Englishmen.

We have a valuable opportunity to see how it works in an Anglo-Saxon democracy. The observant citizen has always been bothered by the question of how the authority and control necessary to the State in socialism can be reconciled with the fundamental principles of freedom. It will now be demonstrated in practice instead of in theory.

However, one fundamental difference between American labor unions and British labor unions must be kept in mind. American labor was always willing to accept the introduction of new machinery, increasing the efficiency and volume of output.

It only asked for an increased share of the increased profits resulting from the new machines But British labor always resisted technological progress. It will be very interesting to watch their record as manager of their antiquated coal mining, for instance. As you know, the English record of production per man-hour is far below the American record.

Now as to number two: Will the world be deprived of valuable leaders? The new men will be just as able administrators as their predecessors.

Sees a New Party

As to number three: Will there be a world-wide leftist movement? The British election unquestionably means a new high-pressure area has been formed. The American New Dealers are feeling their oats.

Either Mr. Truman will yield to them or the Left-Wing New Dealers will form a third party.

I don't think after this British election that the Left-Wing New Dealers will stand for any middle-ground position. Political parties mean nothing to them. In politics, it is easy to confuse personalities and policies. There are too many high-ranking New Deal casualties already to make them very happy with Mr. Truman.

Now the third party financed and smartly handled by the P. A. C. does not necessarily mean the election of the Republican ticket.

We may see a duplication of 1924—with the shoe on the other foot. In that campaign, the Republicans changed a good many votes the last few weeks by saying the LaFollette-Wheeler ticket might cause a deadlock in the Electoral College. Therefore vote for Coolidge. In 1948—if there is a third-party ticket backed by the P. A. C.—we may see the Democrats make the same plea for Republican votes for Truman, and getting them.

The Influence on Foreign Policy

But it's number four—the foreign policies of the British Labor Government—that holds the biggest potentialities for all the world.

Their domestic platform raises a big barrier to the American program of removing obstacles to world trade. It definitely increases the trend towards bilateral trade treaties.

That the Labor Government will be friendly to Russia goes without saying. But will Russia be friendly to the Labor Government?

As is well known, the conflict without a war that went on between the Lion and the Bear for over a century, is almost a cardinal point in the foreign policy of both countries.

The question before the house is:

1. Is Britain strong enough to carry on its traditional foreign policies?

2. If so, is the Labor Government willing?

Britain has been unquestionably weakened. The British Empire is right on the verge of breaking up just as did the Roman Empire and the Spanish Empire. If the Labor Government drastically pushes its communal plans, it will be the straw that breaks the lion's back.

If the Labor Government is willing to pursue the Empire policy, what of Greece, Italy, Yugoslavia, Turkey, Iran, Iraq, Palestine, India, and Spain — where friendly and pro-British Governments are vital to her life line where Britain and Russia are carrying on their traditional undercover conflict. Russia is looking down on India from Kyber Pass and is now trying to establish a dominant position in the Mediterranean.

Will Russia now join Mr. Attlee and recognize "in the era of the common man" the ancient British position in all of the Near East and accept their spheres of influence? Or will her policies be the same in relation to the Labor Government as they were with the Conservative Government?

If she doesn't join "in the era of the common man," Mr. Attlee's Government must be prepared to surrender without a struggle to Russia, or give up their domestic program. He cannot carry on a titanic movement on two fronts at the same time.

Americanism Isolated to Western Hemisphere

It's not a question of the ultimate soundness or unsoundness of the Labor party's program. It's simply a question that Mr. Attlee is like a general on the battlefield who tries to reverse his position in the face of the enemy.

Mr. Laski says the Labor Government is against all monarchies, but the Kings of Greece, of Yugoslavia, of Saudi Arabia—to mention a few of the key spots vital to the British Empire—are British friends and allies. If Britain loses her position and prestige with these countries, Mr. Attlee may be like Little Red Riding Hood, and the British will find out how big grandma's teeth are. Or will the two sympathetic Governments of Russia and Britain work together in foreign affairs? If they do, will it mean one more Government taking its orders from Moscow and thus the liquidation of the British Empire? Will the common bond be maintained at the expense of the British Empire? Or will the Lion and the Bear really lie down together in a truly "hands off" policy for all countries? Or does the continuance of the British and Russian Empires mean a conflict that is irrepressible, regardless of the Government in power in Britain.

The pattern of world peace depends on the answer to these questions.

In any event, as it stands today—despite our great military victories—our American system of government is practically isolated to the Western Hemisphere.

Calls For Labor-Management Parley

Senator Vandenberg Proposes a Government Sponsored Conference to Conclude an Agreement on Post-War Labor Relationships. Secretary of Labor Schwellenbach and President Green of AFL Approve.

Senator Arthur A. Vanderberg (R. Mich.) who was a delegate to the San Francisco United Nations Conference, which drew up a plan for an International Economic and Social Council, addressed a letter to Secretary of Labor Lewis B. Schwellenbach recommending the call, under Government sponsorship, of an industry-labor conference to thrash out the problems facing the readjustments which will be required for reconversion from a war to a peace economy.

"Now that we have laid the groundwork for external peace with justice, there remains the necessity to find the basis for peace with justice on the home front," Senator Vandenburg states in his letter. "We must create a mutual equitable relationship between capital and management, on the one hand, and organized labor on the other hand—protecting the legitimate rights of each, and always consulting the general welfare—to the end that needless strife shall not impair reconversion and permanently jeopardize the country and all its citizenship."

"When the delegations of fifty United Nations met at San Francisco," continues the Vandenberg letter, "their ideas were miles apart in many instances. After intimate and friendly consultation, in which each frankly faced the problem of the other, we came finally to a unanimous agreement, despite repeated crises which were supposed to be insurmountable. It was triumph of the council table.

"Is it impossible to apply this formula at home in respect to these vital industrial relationships? Responsible management knows that free collective bargaining is here to stay. Responsible labor leadership knows that irresponsible strikes and subversive attacks upon essential production are the gravest threats to the permanent success of labor's Bill of Rights. American Government knows that social statutes are futile except as they largely stem from mutual wisdom and mutual consent.

"Therefore, I am moved to inquire whether you would not believe it possible to assemble a United Industrial Peace Conference of our own under your able chairmanship, in which all these interests may assemble—bound together, as they inevitably are, by the knowledge, whether admitted or not, that there can be no prosperity for one without common prosperity for all—and frankly face the need for a better, a surer and a wiser code for their mutual advancement in the desperately uncertain times that lie ahead in an otherwise chaotic post-war world.

"Is it not possible that such a conference could escape from entrenched rivalries long enough to deal fundamentally with the equities which are prerequisite to the healthy pursuit of better times for all—and for all America?"

Mr. Vandenberg then referred in his letter to the informal "charter" for future labor-management relationship agreed upon by President Green of the A. F. of L., President Murray of the CIO and Eric Johnston of the U. S. Chamber of Commerce, and concluded his letter by saying:

"In peace abroad is not enough. We must have peace at home. It must be peace with justice. I doubt whether it can be dictated by summary legislation (except as a last resort). I decline to believe that it cannot be written into law by the common recommendation of all concerned if they can meet together, under proper auspices, to face a challenge which cannot long go unanswered."

Secretary Schwellenbach, in replying to Senator Vandenberg agreed to the proposal. "It was demonstrated at San Francisco." Mr. Schwellenbach stated "that men can agree event though they speak different languages. They cannot agree unless there is some common denominator in their thinking. There must be some measure of mutual confidence in their approach. When representatives of industry and labor meet at the bargaining table they cannot have that mutual confidence unless both believe that an agreement can be reached which is fair and just. That is why justice is required in the solution of our industrial problems."

Mr. Schwellenbach added that he had given considerable thought to the proposition and that his views regarding it were expressed in an address which he made in Superior, Wisc. on July 21.

William Green, President of the A. F. of L. expressed the desire of his organization to co-operate, as always, in any movement to establish industrial peace, while Eric A. Johnston, speaking for the U. S. Chamber of Commerce, also endorsed the proposal. Ira Mosher, President of the National Association of Manufacturers also backed the proposal.

According to special dispatch to the New York "Times," Philip Murray, president of the Congress of Industrial Organizations, suggested that Senator Vandenberg's proposal for calling a labor-industry-Government conference headed by the Secretary of Labor, be enlarged to include Secretary Wallace of the Department of Commerce.

In a letter to Secretary of Labor Schwellenbach, Mr. Murray stated that, while giving his endorsement of the conference, the proposal "necessarily leads to concrete measures such as the obnoxious Ball-Burton-Hatch bill," and he argued that "the elimination of industrial disputes must rest on a much sounder base." That basis "is the fulfillment of our national objective of an expanding economy with full production and full employment."

"The conference," wrote Mr. Murray, "since it will be composed of representatives of organized labor and industry, should be convened by yourself, as Secretary of Labor, and Henry A. Wallace, as Secretary of Commerce.

"The most pressing issues that should command the attention of the conference," he further added, "are:

"(a) An adequate wage policy which shall assure a high level of purchasing power for the masses of the people to sustain an expanding economy of full production and full employment;

"(b) The enactment of the Pepper-Hook bill establishing a 65-cent minimum wage and thereby eliminating substandard conditions;

"(c) The enactment of the Murray-Patman full employment bill which would extend a mandate to government to assure full employment in our nation;

"(d) The enactment of the Fair Employment Practices Bill which will eliminate the despicable practices in industry of discrimination on grounds of race, religion or color that necessarily result in strife and turmoil;

"(e) Consideration of ways and means to extend through collective bargaining an annual wage for wage earners which would effectively establish freedom from fear and freedom from want;

"(f) Enactment of appropriate legislative measures to protect freedom of enterprise for small business and afford appropriate assistance through taxes and otherwise to small business, thereby encouraging swift reconversion and full employment."

George Predicts Early Tax Cuts

Senator Walter F. George (D.-Ga.), Chairman of the Senate Finance Committee and of the joint committee on internal revenue taxation, told a press conference on July 27 that he favored a complete revision of the tax program immediately following V-J Day in order to aid business in its task of reconverting to peacetime activity, the United Press reported from Washington. Senator George offered little hope to individuals of early reduction in taxes, stating that corporation reductions must be considered first so that employment may be maintained and post-war production be put into momentum.

He urged that Congress have a new tax program "either enacted or ready to lay down for enactment" as soon as hostilities cease. "It is highly important," Senator George said, "because all taxpayers must know as soon as possible what their post-war tax burden is going to be so that they can plan their lives and their businesses properly." He forecast a complete revision of Federal tax laws which will reduce the Treasury's tax income by between $18,000,000,000 and $27,000,000,000. It is now $46,000,000,000, the United Press stated, and continued to report:

Although firmly opposed to any general reduction before V-J Day, the Administration favors early revision of tax structure for use when the time comes. Secretary of the Treasury Fred M. Vinson, who will have a large part in determining post-war taxes, told Congress recently: "There is an important benefit to early adoption of a post-war tax program. The sooner uncertainties in post-war tax structure are removed the sooner business . . . will make commitments . . . and the faster men can be put to work."

Senator George warned that deficit spending—government expenditures greater than government income—must stop to preserve stability of the dollar.

"We've got to get away from deficit spending," he said. "We are taking a great risk in continuing it, for it might raise a question in the people's mind as to the soundness of our money—weaken faith in our dollar, in our gold reserve. The only real way to avoid this risk is to stop deficit spending."

He said the joint Congressional tax committee hopes to complete its study of post-war revenue during the summer recess and report to the tax-making House Ways and Means Committee and to the Senate Finance Committee when Congress reconvenes. The finance committee will begin hearings in late October on the whole tax program—individual and business taxes; social security and unemployment compensation.

He based his tax estimates on a prediction that the minimum post-war budget will be around $16,000,000,000. Actually, he said, it may run as high as $25,000,000,000. For fiscal 1946, it is $83,000,000,000.

The post-war budget should be based mainly on the taxpayers' ability to pay, rather than on need, he said.

"It is putting the cart before the horse to fix a budget first and then draw up a tax program. We first must find out what the taxpayer can stand and fix the budget accordingly."

Murray, Green Approve Vandenberg Proposal

The Congress of Industrial Organizations has indicated through its President, Phillip Murray, that it would be glad to send representatives to an industrial peace conference which might be called on the basis of a proposal by Senator Vandenberg (R.-Mich.), the Associated Press reported on Aug. 3 from Washington, adding that a day earlier William Green, President of the American Federation of Labor, had expressed the willingness of his organization to cooperate in such a movement. It is also intimated that the proposal will have the support of John L. Lewis if it is Government-sponsored. Eric Johnston, President of the United States Chamber of Commerce, has indicated his group's endorsement of such a conference.

To Ask Reconversion Control for WPB

John W. Snyder, Director of the Office of War Mobilization and Reconversion, announcing the creation of an Inter-Agency Committee to speed reconversion of the construction industry, indicated on Aug. 2 that he would shortly recommend to President Truman the extension of the War Production Board's operations to cover the field of reconversion. In reporting the announcement made at Washington Aug. 2, the Associated Press pointed out that the proposal would enable the WPB to employ its broad war-time priority powers to break bottlenecks which might obstruct a rapid return to high-level peacetime industrial activity. The WPB would work under policies laid down by directive from Mr. Snyder, according to two officials familiar with the trend of Administration thought.

This would make of the WPB a ready-to-use operating arm of the OWMR during the reconversion period, carrying out in part the recommendation of the Senate War Investigating Committee.

Hugh Potter of Houston, Texas, has been appointed construction coordinator to head the newly organized Federal Inter-Agency Committee, which will be composed of representatives of the OWMR, the Office of Economic Stabilization, the WLB, the Office of Price Administration, the National Housing Agency, the National War Labor Board, the Federal Works Agency, the War Manpower Commission, the Departments of Commerce and Labor, and the Smaller War Plants Corporation.

ABA on Legislative Developments

In a comprehensive appraisal of recent legislative developments affecting the Servicemen's Readjustment Act, a bulletin issued Aug. 3 by the Committee on Service for War Veterans of the American Bankers Association summarizes the loan provisions of an amendment to the Act recently passed by the House of Representatives, reviews legislative proposals which preceded House endorsement of the bill, and reiterates the Association policy with regard to bank loans to veterans under the G.I. Bill.

Second in a series of Committee publications entitled "Banks and the War Veteran," the bulletin also sets forth for the nation's 15,000 banks the highlights of the ABA Committee's action in the sphere of veteran relations and the parallel activity among State Associations and community banking groups.

According to the bulletin, Title III of the House-passed bill contains the substance of several important changes in the Act recommended by the ABA, notably, the extension of time within which a veteran may apply for a loan, use of the honorable discharge as a certificate of eligibility, the automatic guaranty of loans, and permitting national banks to make real estate loans to veterans on the same basis as other lending institutions. The bulletin adds:

"The new bill however does not provide for the enlargement of the purpose for which loans can be made, such as for the purchase of inventories, seed, feed and fertilizer, stock in corporations or shares in partnerships, and similar extensions believed by the ABA Committee to make the Act more flexible and permit its wider application."

These extensions were among the proposed revisions recommended by Chester R. Davis, Chairman of the Committee on Service for War Veterans, when he spoke for the ABA during a public hearing before the House Committee on World War Veterans' Legislation. At the hearing, Mr. Davis endorsed changes proposed in the Act which had been approved by the ABA. He commented favorably on the provisions to facilitate bank handling of G.I. Loans which were proposed in bills introduced earlier by Senator Johnson of Colorado and Congressman Rankin of Mississippi, Chairman of the House Committee on World War Veterans' Legislation, the objectives of which had been approved by the ABA Committee. At the same time, Mr. Davis opposed those provisions of another set of bills which provided for expanding the authority of Federal savings and loan associations in connection with loans both to veterans and to others. "It is significant," the bulletin comments, "that the sections relating to the Federal savings and loan associations were omitted in H.R. 3749, the bill passed by the House of Representatives."

Margin Accounts of NYSE Member Firms

Under date of Aug. 1 the New York Stock Exchange announced:

"Members of firms of the New York Stock Exchange have reported, in response to the Exchange's questionnaire distributed at the suggestion of the Federal Reserve Board, that, as of June 30, 1945, they were carrying 137,752 open margin accounts for customers. The most recent previous date for which comparable figures are available is Nov. 30, 1938, when member firms reported 256,504 open margin accounts."

In its issue of Aug. 2 the New York "Times" stated:

"Several factors have contributed to the sharp diminution in these accounts. Among them are the three increases in margin requirements since 1940. On last Feb. 5 the Federal Reserve Board raised requirements for the purchase of securities from 40% to 50%. This was followed by another rise on July 5 to 75%.

"Both the Stock Exchange and the Curb Exchange contributed to discouragement of margin trading when they put into effect in March, 1943, a rule which prohibited any such accounts in stock selling at $5 a share or less. This was followed on March 3, 1945, by applying the rule to all stock selling at less than $10 a share.

"Significantly, the comparatively few margin accounts today refute the impression expressed in some financial quarters that there has been widespread speculation during the past five or six years.

"In addition to the control factors cited, many member firms of both New York Exchanges require that cash accounts be kept on a basis as high as 90% and there are some brokerage houses which carry no margin accounts on their books."

The Potsdam Agreement

(Continued from first page)

place. During the course of the conference there were regular meetings of the heads of the three governments accompanied by the Foreign Secretaries, and also of the Foreign Secretaries alone. Committees appointed by the Foreign Secretaries for preliminary consideration of questions before the conference also met daily.

The meetings of the conference were held at the Cecilienhof, near Potsdam. The conference ended on Aug. 2, 1945.

Important decisions and agreements were reached. Views were exchanged on a number of other questions, and consideration of these matters will be continued by the Council of Foreign Ministers established by the conference.

President Truman, Generalissimo Stalin and Prime Minister Attlee leave this conference, which has strengthened the ties between the three governments and extended the scope of their collaboration and understanding, with renewed confidence that their governments and peoples, together with the other United Nations, will insure the creation of a just and enduring peace.

II

Establishment of a Council of Foreign Ministers

The conference reached an agreement for the establishment of a Council of Foreign Ministers representing the five principal powers to continue the necessary preparatory work for the peace settlements and to take up other matters which from time to time may be referred to the council by agreement of the governments participating in the council.

The text of the agreement for the establishment of the Council of Foreign Ministers is as follows:

1. There shall be established a council composed of the Foreign Ministers of the United Kingdom, the Union of Soviet Socialist Republics, China, France and the United States.

2. (I) The council shall normally meet in London, which shall be the permanent seat of the joint secretariat which the council will form. Each of the foreign ministers will be accompanied by a high-ranking deputy, duly authorized to carry on the work of the council in the absence of his foreign minister, and by a small staff of technical advisers.

(II) The first meeting of the council shall be held in London not later than Sept. 1, 1945. Meetings may be held by common agreement in other capitals as may be agreed from time to time.

3. (I) As its immediate important task, the council shall be authorized to draw up, with a view to their submission to the United Nations, treaties of peace with Italy, Rumania, Bulgaria, Hungary and Finland, and to propose settlements of territorial questions outstanding on the termination of the war in Europe. The council shall be utilized for the preparation of a peace settlement for Germany to be accepted by the government of Germany when a government adequate for the purpose is established.

(II) For the discharge of each of these tasks the council will be composed of the members representing those states which were signatory to the terms of surrender imposed upon the enemy state concerned. For the purpose of the peace settlement for Italy, France shall be regarded as a signatory to the terms of surrender for Italy. Other members will be invited to participate when matters directly concerning them are under discussion.

(III) Other matters may from time to time be referred to the council by agreement between the member governments.

4. (I) W[illegible] considering a question of direct interest to a state not represented thereon, such state should be invited to send representatives to participate in the discussion and study of that question.

(II) The council may adapt its procedure to the particular problem under consideration. In some cases it may hold its own preliminary discussions prior to the participation of other interested states. In other cases, the council may convoke a formal conference of the states chiefly interested in seeking a solution of the particular problem.

In accordance with the decision of the conference, the three governments have each addressd an identical invitation to the governments of China and France to adopt this text and to join in establishing the council.

The establishment of the Council of Foreign Ministers for the specified purposes named in the text will be without prejudice to the agreement of the Crimea Conference that there should be periodic consultation among the foreign secretaries of the United States, the Union of Soviet Socialist Republics and the United Kingdom.

The conference also considered the position of the European Advisory Commission in the light of the agreement to establish the Council of Foreign Ministers. It was noted with satisfaction that the commission had ably discharged its principal tasks by the recommendations that it had furnished for the terms of Germany's unconditional surrender, for the zones of occupation in Germany and Austria, and for the inter-Allied control machinery in those countries. It was felt that further work of a detailed character for the co-ordination of Allied policy for the control of Germany and Austria would in future fall within the competence of the Allied Control Council at Berlin and the Allied commission at Vienna. Accordingly, it was agreed to recommend that the European Advisory Commission be dissolved.

III

Germany

The Allied armies are in occupation of the whole of Germany and the German people have begun to atone for the terrible crimes committed under the leadership of those whom, in the hour of their success, they openly approved and blindly obeyed.

Agreement has been reached at this conference on the political and economic principles of a coordinated Allied policy toward defeated Germany during the period of Allied control.

The purpose of this agreement is to carry out the Crimea Declaration on Germany. German militarism and Nazism will be extirpated and the Allies will take in agreement together, now and in the future, the other measures necessary to assure that Germany never again will threaten her neighbors or the peace of the world.

It is not the intention of the Allies to destroy or enslave the German people. It is the intention of the Allies that the German people will be given the opportunity to prepare for the eventual reconstruction of their life on a democratic and peaceful basis. If their own efforts are steadily directed to this end, it will be possible for them in due course to take their place among the free and peaceful peoples of the world.

The text of the agreement is as follows:

The political and economic principles to govern the treatment of Germany in the initial control period.

A. Political principles.

1. In accordance with the agreement on control machinery in Germany, supreme authority in Germany is exercised on instructions from their respective governments, by the commanders in chief of the armed forces of the United States of America, the United Kingdom, the Union of Soviet Socialist Republics and the French Republic, each in his own zone of occupation, and also jointly, in matters affecting Germany as a whole, in their capacity as members of the control council.

2. So far as is practicable, there shall be uniformity of treatment of the German population throughout Germany.

3. The purposes of the occupation of Germany by which the control council shall be guided are:

(1) The complete disarmament and demilitarization of Germany and the elimination or control of all German industry that could be used for military production. To these ends:

(A) All German land, naval and air forces, the S.S., S.A., S.D. and Gestapo, with all their organizations, staffs and institutions, including the general staff, the Officers' Corps, Reserve Corps, military schools, war veterans' organizations and all other military and quasi-military organizations, together with all clubs and associations which serve to keep alive the military tradition in Germany, shall be completely and finally abolished in such manner as permanently to prevent the revival or reorganization of German militarism and Nazism.

(B) All arms, ammunition and implements of war and all specialized facilities for their production shall be held at the disposal of the Allies or destroyed. The maintenance and production of all aircraft and all arms, ammunition and implements of war shall be prevented.

(II) To convince the German people that they have suffered a total military defeat and that they cannot escape responsibility for what they have brought upon themselves, since their own ruthless warfare and the fanatical Nazi resistance have destroyed German economy and made chaos and suffering inevitable.

(III) To destroy the National Socialist party and its affiliated and supervised organizations, to dissolve all Nazi institutions, to insure that they are not revived in any form, and to prevent all Nazi militarist activity or propaganda.

(IV) To prepare for the eventual reconstruction of German political life on a democratic basis and for eventual peaceful cooperation in international life by Germany.

4. All Nazi laws which provide the basis of the Hitler regime or established discrimination on grounds of race, creed or political opinion shall be abolished. No such discriminations, whether legal, administrative or otherwise, shall be tolerated.

5. War criminals and those who have participated in planning or carrying out Nazi enterprises involving or resulting in atrocities or war crimes shall be arrested and brought to judgment. Nazi leaders, influential Nazi supporters and high officials of Nazi organizations and institutions and any other persons dangerous to the occupation or its objectives shall be arrested and interned.

6. All members of the Nazi party who have been more than nominal participants in its activities and all other persons hostile to Allied purposes shall be removed from public and semi-public office, and from positions of responsibility in important private undertakings. Such persons shall be replaced by persons who, by their political and moral qualities, are deemed capable of assisting in developing genuine democratic institutions in Germany.

7. German education shall be so controlled as completely to eliminate Nazi and militarist doctrines and to make possible the successful development of democratic ideas.

8. The judicial system will be reorganized in accordance with the principles of democracy, of justice under law, and of equal rights for all citizens without distinction of race, nationality or religion.

9. The administration of affairs in Germany should be directed toward the decentralization of the political structure and the development of local responsibility. To this end:

(I) Local self-government shall be restored throughout Germany on democratic principles and in particular through elective councils as rapidly as is consistent with military security and the the purposes of military occupation;

(II) All democratic political parties with rights of assembly and of public discussions shall be allowed and encouraged throughout Germany;

(III) Representatives and elective principles shall be introduced into regional, provincial and state (land) administration as rapidly as may be justified by the successful application of these principles in local self-government;

(IV) For the time being no central German government shall be established. Notwithstanding this, however, certain essential central German administrative departments, headed by state secretaries, shall be established, particularly in the fields of finance, transport, communications, foreign trade and industry. Such departments will act under the direction of the Control Council.

10. Subject to the necessity for maintaining military security, freedom of speech, press and religion shall be permitted, and religious institutions shall be respected. Subject likewise to the maintenance of military security, the formation of free trade unions shall be permitted.

B. Economic Principles.

11. In order to eliminate Germany's war potential, the production of arms, ammunition and implements of war as well as all types of aircraft and seagoing ships shall be prohibited and prevented. Production of metals, chemicals, machinery and other items that are directly necessary to a war economy shall be rigidly controlled and restricted to Germany's approved post-war peacetime needs to meet the objectives stated in Paragraph 15. Productive capacity not needed for permitted production shall be removed in accordance with the reparations plan recommended by the Allied commission on reparations and approved by the governments concerned or if not removed shall be destroyed.

12. At the earliest practicable date, the German economy shall be decentralized for the purpose of eliminating the present excessive concentration of economic power as exemplified in particular by cartels, syndicates, trusts and other monopolistic arrangements.

13. In organizing the German economy, primary emphasis shall be given to the development of agriculture and peaceful domestic industries.

14. During the period of occupation, Germany shall be treated as a single economic unit. To this end common policies shall be established in regard to:

(a) Mining and industrial production and allocations;

(b) Agriculture, forestry and fishing;

(c) Wages, prices and rationing;

(d) Import and export program for Germany as a whole;

(e) Currency and banking, central taxation and customs;

(f) Reparation and removal of industrial war potential;

(g) Transportation and communications.

In applying these policies account shall be taken, where appropriate, of varying local conditions.

15. Allied controls shall be imposed upon the German economy but only to the extent necessary:

(A) To carry out programs of industrial disarmament and demilitarization, of reparations, and of approved exports and imports.

(B) To assure the production and maintenance of goods and services required to meet the needs of the occupying forces and displaced persons in Germany and essential to maintain in Germany average living standards not exceeding the average of the standards of living of European countries. (European countries means all European countries excluding the United Kingdom and the Union of Soviet Socialist Republics.)

(C) To insure in the manner determined by the Control Council the equitable distribution of essential commodities between the several zones so as to produce a balanced economy throughout Germany and reduce the need for imports.

(D) To control German industry and all economic and financial international transactions, including exports and imports, with the aim of preventing German from developing a war potential and of achieving the other objectives named herein.

(E) To control all German public or private scientific bodies, research and experimental institutions, laboratories, etc., connected with economic activities.

16. In the imposition and maintenance of economic controls established by the Control Council, German administrative machinery shall be created and the German authorities shall be required to the fullest extent practicable to proclaim and assume administration of such controls. Thus it should be brought home to the German people that the responsibility for the administration of such controls and any breakdown in these controls will rest with themselves. Any German controls which may run counter to the objectives of occupation will be prohibited.

17. Measures shall be promptly taken:

(A) To effect essential repair of transport;

(B) To enlarge coal, production;

(C) To maximize agriculture output, and

(D) To effect emergency repair of housing and essential utilities.

18. Appropriate steps shall be taken by the Control Council to exercise control and the power of disposition over German-owned external assets not already under the control of United Nations which have taken part in the war against Germany.

19. Payment of reparations should leave enough resources to enable the German people to subsist without external assistance. In working out the economic balance of Germany the necessary means must be provided to pay for imports approved by the Control Council in Germany. The proceeds of exports from current production and stocks shall be available in the first place for payment for such imports.

The above clause will not apply to the equipment and products referred to in paragraphs 4 (A) and 4 (B) of the reparations agreement.

IV

Reparations from Germany

In accordance with the Crimea decision that Germany be compelled to compensate to the greatest possible extent for the loss and suffering that she has caused to the United Nations and for which the German people cannot escape responsibility, the following agreement on reparations was reached:

1. Reparation claims of the U. S. S. R. shall be met by removals from the zone of Germany occupied by the U. S. S. R. and from appropriate German external assets.

2. The U. S. S. R. undertakes to settle the reparation claims of

Poland from its own share of reparations.

3. The reparation claims of the United States, the United Kingdom and other countries entitled to reparations shall be met from the western zones and from appropriate German external assets.

4. In addition to the reparations to be taken by the U. S. S. R. from its own zone of occupation, the U. S. S. R. shall receive additionally from the western zones:

(A) 15% of such usable and complete industrial capital equipment, in the first place from the metallurgical, chemical and machine-manufacturing industries, as is unnecessary for the German peace economy and should be removed from the western zones of Germany, in exchange for an equivalent value of food, coal, potash, zinc, timber, clay products, petroleum products and such other commodities as may be agreed upon.

(B) 10% of such industrial capital equipment as is unnecessary for the German peace economy and should be removed from the western zones, to be transferred to the Soviet Government on reparations account without payment or exchange of any kind in return.

Removals of equipment as provided in (A) and (B) above shall be made simultaneously.

5. The amount of equipment to be removed from the western zones on account of reparations must be determined within six months from now at the latest.

6. Removals of industrial capital equipment shall begin as soon as possible and shall be completed within two years from the determination specified in Paragraph 5. The delivery of products covered by 4 (A) above shall begin as soon as possible and shall be made by the U. S. S. R. in agreed instalments within five years of the date hereof. The determination of the amount and character of the industrial capital equipment unnecessary for the German peace economy and therefore available for reparations shall be made by the Control Council under policies fixed by the Allied Commission on Reparations, with the participation of France, subject to the final approval of the zone commander in the zone from which the equipment is to be removed.

7. Prior to the fixing of the total amount of equipment subject to removal, advance deliveries shall be made in respect of such equipment as will be determined to be eligible for delivery in accordance with the procedure set forth in the last sentence of Paragraph 6.

8. The Soviet Government renounces all claims in respect of reparations to shares of German enterprises which are located in the western zones of occupation in Germany as well as to German foreign assets in all countries except those specified in Paragraph 9 below.

9. The governments of the United Kingdom and the United States of America renounce their claims in respect of reparations to shares of German enterprises which are located in the eastern zone of occupation in Germany, as well as to German foreign assets in Bulgaria, Finland, Hungary, Rumania and eastern Austria.

10. The Soviet Government makes no claims to gold captured by the Allied troops in Germany.

V

Disposal of the German Navy and Merchant Marine

The conference agreed in principle upon arrangements for the use and disposal of the surrendered German fleet and merchant ships. It was decided that the three governments would appoint experts to work out together detailed plans to give effect to the agreed principles. A further joint statement will be published simultaneously by the three governments in due course.

VI

City of Koenigsberg and the Adjacent Area

The conference examined a proposal by the Soviet Government that pending the final determination of territorial questions at the peace settlement the section of the western frontier of the Union of Soviet Socialist Republics which is adjacent to the Baltic Sea should pass from a point on the eastern shore of the Bay of Danzig to the east, north of Braunsberg-Goldap, to the meeting point of the frontiers of Lithuania, the Polish Republic and East Prussia.

The conference has agreed in principle to the proposal of the Soviet Government concerning the ultimate transfer to the Soviet Union of the city of Koenigsberg and the area adjacent to it as described above subject to expert examination of the actual frontier.

The President of the United States and the British Prime Minister have declared that they will support the proposal of the conference at the forthcoming peace settlement.

VII

War Criminals

The three governments have taken note of the discussions which have been proceeding in recent weeks in London between British, United States, Soviet and French representatives with a view to reaching agreement on the methods of trial of those major war criminals whose crimes under the Moscow declaration of October, 1943, have no particular geographical localization. The three governments reaffirm their intention to bring those criminals to swift and sure justice. They hope that the negotiations in London will result in speedy agreement being reached for this purpose, and they regard it as a matter of great importance that the trial of those major criminals should begin at the earliest possible date. The first list of defendants will be published before Sept. 1.

VIII

Austria

The conference examined a proposal by the Soviet Government on the extension of the authority of the Austrian provisional government to all of Austria.

The three governments agreed that they were prepared to examine this question after the entry of the British and American forces into the city of Vienna.

IX

Poland

The conference considered questions relating to the Polish provisional government and the western boundary of Poland.

On the Polish provisional government of national unity they defined their attitude in the following statement:

A.—We have taken note with pleasure of the agreement reached among representative Poles from Poland and abroad which has made possible the formation, in accordance with the decisions reached at the Crimea Conference, of a Polish provisional government of national unity recognized by the three powers. The establishment by the British and United States Governments of diplomatic relations with the Polish provisional government has resulted in the withdrawal of their recognition from the former Polish Government in London, which no longer exists.

The British and United States Governments have taken measures to protect the interest of the Polish provisional government as the recognized government of the Polish state in the property belonging to the Polish state located in their territories and under their control, whatever the form of this property may be. They have further taken measures to prevent alienation to third parties of such property. All proper facilities will be given to the Polish provisional government for the exercise of the ordinary legal remedies for the recovery of any property belonging to the Polish state which may have been wrongfully alienated.

The three powers are anxious to assist the Polish provisional government in facilitating the return to Poland as soon as practicable of all Poles abroad who wish to go, including members of the Polish armed forces and the merchant marine. They expect that those Poles who return home shall be accorded personal and property rights on the same basis as all Polish citizens.

The three powers note that the Polish provisional government in accordance with the decisions of the Crimea Conference has agreed to the holding of free and unfettered elections as soon as possible on the basis of universal suffrage and secret ballot in which all democratic and anti-Nazi parties shall have the right to take part and to put forward candidates, and that representatives of the Allied press shall enjoy full freedom to report to the world upon developments in Poland before and during the elections.

B.—The following agreement was reached on the western frontier of Poland:

In conformity with the agreement on Poland reached at the Crimea conference the three heads of government have sought the opinion of the Polish Provisional Government of National Unity in regard to the accession of territory in the north and west which Poland should receive. The President of the National Council of Poland and members of the Polish Provisional Government of National Unity have been received at the conference and have fully presented their views. The three heads of government reaffirm their opinion that the final delimitation of the western frontier of Poland should await the peace settlement.

The three heads of government agree that, pending the final determination of Poland's western frontier, the former German territories east of a line running from the Baltic Sea immediately west of Swinemunde, and then along the Oder River to the confluence of the western Neisse River and along the western Neisse to the Czechoslovak frontier, including that portion of East Prussia not placed under the administration of the Union of Soviet Socialist Republics in accordance with the understanding reached at this conference and includingg the area of the former Free City of Danzig, shall be under the administration of the Polish state and for such purposes should not be considered as part of the Soviet zone of occupation in Germany.

X

Conclusion of Peace Treaties and Admission to the United Nations Organization

The conference agreed upon the following statement of common policy for establishing, as soon as possible, the conditions of lasting peace after victory in Europe:

The three governments consider it desirable that the present anomalous position of Italy, Bulgaria, Finland, Hungary and Rumania should be terminated by the conclusion of peace treaties. They trust that the other interested Allied Governments will share their views.

For their part the three governments have included the preparation of a peace treaty for Italy as the first among the immediate important tasks to be undertaken by the new Council of Foreign Ministers. Italy was the first of the Axis powers to break with Germany, to whose defeat she has made a material contribution, and has now joined with the Allies in the struggle against Japan. Italy has freed herself from the Fascist regime and is making good progress toward the re-establishment of a democratic government and institutions. The conclusion of such a peace treaty with a recognized and democratic Italian government will make it possible for the three governments to fulfill their desire to support an application from Italy for membership of the United Nations.

The three governments have also charged the Council of Foreign Ministers with the task of preparing peace treaties for Bulgaria, Finland, Hungary and Rumania. The conclusion of peace treaties with recognized democratic governments in these states will also enable the three governments to support applications from them for membership of the United Nations. The three governments agree to examine each separately in the near future, in the light of the conditions then prevailing, the establishment of diplomatic relations with Finland, Rumania, Bulgaria and Hungary to the extent possible prior to the conclusion of peace treaties with those countries.

The three governments have no doubt that in view of the changed conditions resulting from the termination of the war in Europe, representatives of the Allied press will enjoy full freedom to report to the world upon developments in Rumania, Bulgaria, Hungary and Finland.

As regards the admission of other states into the United Nations organization, Article 4 of the Charter of the United Nations declares that:

"1. Membership in the United Nations is open to all other peace-loving states who accept the obligations contained in the present charter and, in the judgment of the organization, are able and willing to carry out these obligations;

"2. The admission of any such state to membership in the United Nations will be effected by a decision of the General Assembly upon the recommendation of the Security Council."

The three governments, so far as they are concerned, will support applications for membership from those states which have remained neutral during the war and which fulfill the qualifications set out above.

The three governments feel bound, however, to make it clear that they for their part would not favor any application for membership put forward by the present Spanish Government which, having been founded with the support of the Axis powers, does not, in view of its origins, its nature, its record, its close association with the aggressor states, possess the qualifications necessary to justify such membership.

XI

Territorial Trusteeships

The conference examined a proposal by the Soviet Government concerning trusteeship territories as defined in the decision of the Crimea Conference and in the charter of the United Nations organization.

After an exchange of views on this question it was decided that the disposition of any former Italian territories was one to be decided in connection with the preparation of a peace treaty for Italy and that the question of Italian territory would be considered by the September Council of Ministers of Foreign Affairs.

XII

Revised Allied Control Commission Procedure in Rumania Bulgaria and Hungary

The three governments took note that the Soviet representatives on the Allied control commission in Rumania, Bulgaria and Hungary have communicated to their United Kingdom and United States colleagues proposals for improving the work of the control commission now that hostilities in Europe have ceased.

The three governments agreed that the revision of the procedures of the Allied control commissions in these countries would now be undertaken, taking into account the interests and responsibilities of the three governments which together presented the terms of armistice to the respective countries, and accepting as a basis the agreed proposals.

XIII

Orderly Transfers of German Populations

The conference reached the following agreement on the removal of Germans from Poland, Czechoslovakia and Hungary:

The three governments, having considered the question in all its aspects, recognize that the transfer to Germany of German populations, or elements thereof, remaining in Poland, Czechoslovakia and Hungary, will have to be undertaken. They agree that any transfers that take place should be effected in an orderly and humane manner.

Since the influx of a large number of Germans into Germany would increase the burden already resting on the occupying authorities, they consider that the Allied Control Council in Germany should in the first instance examine the problem with special regard to the question of the equitable distribution of these Germans among the several zones of occupation. They are accordingly instructing their respective representatives on the Control Council to report to their governments as soon as possible the extent to which such persons have already entered Germany from Poland, Czechoslovakia and Hungary, and to submit an estimate of the time and rate at which further transfers could be carried out, having regard to the present situation in Germany.

The Czechoslovak Government, the Polish Provisional Government and the Control Council in Hungary are at the same time being informed of the above and are being requested meanwhile to suspend further expulsions pending the examination by the Governments concerned of the report from their representatives on the Control Council.

XIV

Military Talks

During the conference there were meetings between the chiefs of staff of the three governments on military matters of common interest.

Approved:
J. V. STALIN
HARRY S. TRUMAN
C. R. ATTLEE

LIST OF DELEGATIONS

For the United States

The President, Harry S. Truman.
The Secretary of State, James F. Byrnes.
Fleet Admiral William D. Leahy, U. S. N., chief of staff to the President.
Joseph E. Davies, Special Ambassador.
Edwin Pauley, Special Ambassador.
Ambassador Robert D. Murphy, political adviser to the Commander in Chief, United States zone in Germany.
W. Averell Harriman, Ambassador to the U. S. R. R.
General of the Army George C. Marshall, Chief of Staff, United States Army.
Fleet Admiral Ernest J. King, U. S. N., Chief of Naval Operations and Commander in Chief, United States Fleet.
General of the Army H. H. Arnold, United States Army Air Forces.
General Brehon B. Somervell, Commanding General, Army Service Forces.
Vice-Admiral Emory S. Land, War Shipping Administrator.

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The Potsdam Agreement

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William L. Clayton, Assistant Secretary of State.

James C. Dunn, Assistant Secretary of State.

Ben Cohen, Special Assistant to the Secretary of State.

H. Freeman Matthews, Director of European Affairs, Department of State.

Charles E. Bohlen, assistant to the Secretary (together with political, miliary and technical advisers).

For the United Kingdom

The Prime Minister, Mr. Winston S. Churchill, M.P.; Mr. C. R. Attlee, M.P.

The Secretary of State for Foreign Affairs, Mr. Anthony Eden, M.P.; Mr. Ernest Bevin, M.P.

Lord Leathers, Minister of War Transport.

Sir Alexander Cadogan, Permanent Under Secretary of State for Foreign Affairs.

Sir Archibald Clark Kerr, H. M. Ambassador at Moscow.

Sir Walter Monckton, head of the United Kingdom delegation to Moscow Reparations Commission.

Sir William Strang, political adviser to the Commander in Chief, British zone in Germany.

Sid Edward Bridges, Secretary of the Cabinet.

Field Marshal Sir Alan Brooke, Chief of the Imperial General Staff.

Marshal of the Royal Air Force Sir Charles Portal, Chief of the Air Staff.

Admiral of the Fleet Sir Andrew Cunningham, First Sea Lord.

Gen. Sir Hastings Ismay, Chief of Staff to the Minister of Defense.

Field Marshal Sir Harold Alexander, Supreme Allied Commander, Mediterranean theater.

Field Marshal Sir Henry Maitland Wilson, head of the British joint staff mission at Washington, and other advisers.

For the Soviet Union

The Chairman of the Council of People's Commissars, J. V. Stalin.

People's Commissar for Foreign Affairs, V. M. Molotov.

Fleet Admiral N. G. Kuznesov, People's Commissar, the Naval Fleet of the U. S. S. R.

A. I. Antonov, Chief of Staff of the Red Army.

A. Y. Vyshinski, Deputy People's Commissar for Foreign Affairs.

S. I. Kavtaradze, Assistant People's Commissar for Foreign Affairs.

I. M. Maisky, Assistant People's Commissor for Foreign Affairs.

Admiral S. G. Kucherov, Chief of Staff of the Naval Fleet.

F. T. Gusev, Ambassador of the Soviet Union in Great Britain.

A. A. Gromyko, Ambassador of the Soviet Union in the United States of America.

K. V. Novikov, member of the Collegium of the Commissariat for Foreign Affairs, Director of the Second European Division.

S. K. Tsarapkin, member of the Collegium of the Commissariat for Foreign Affairs, Director of the United States Division.

S. P. Kozyrev, director of the first European division of the Commissariat for Foreign Affairs.

A. A. Lavrishchev, director of the division of Balkan countries, Commissariat for Foreign Arfairs.

A. A. Sobolev, chief of the political section of the Soviet military administration in Germany.

I. Z. Saburov, assistant to the chief of the Soviet military administration in Germany.

A. A. Golunsky, expert consultant of the Commissariat for Foreign Affairs, and also political, military and technical assistants.

The State of Trade

(Continued from page 650)

a hurdle. The WPB, however, believe that there is little chance of abondoning the Controlled Materials Plan before the end of the year despite pressure from steel companies to do so. The latter believe, the magazine concludes, that if CMP was thrown overboard there still would be enough capacity to take care of war orders and a more general leeway to properly schedule civilian business. But such an appeal at the moment has fallen on deaf ears.

The American Iron and Steel Institute announced last Tuesday that the operating rate of steel companies (including 94% of the industry) will be 87.9% of capacity for the week beginning August 6, compared with 90.8% one week ago. This week's operating rate represents a decrease of 2.9% from last week's rate and is equivalent to 1,610,000 net tons of steel ingots and castings, compared to 1,663,100 net tons last week and 1,737,500 tons one year ago.

A series of unauthorized work stoppages in key operations of the steel industry, the Association adds, will cause production of steel ingots and castings for the current week to be the lowest for any week since the beginning of July 15, 1940.

Railroad Freight Loading—Carloadings of revenue freight for the week ended July 28, 1945, totaled 886,271 cars. the Association of American Railroads announced. This was an increase of 3,948 cars, or 0.4%, above the preceding week this year and 23.219 cars, or 2.6%, below the corresponding week of 1944. Compared with a similar period of 1943, an increase of 746 cars, or 0.1%, is shown.

Railroad Income in June—Class I railroads of the U. S. in June, 1945, had an estimated net income, after interest and rentals, of $66,100,000, compared with $61,337,052 in June, 1944, according to the Association of American Railroads. In the first six months of 1945, estimated net income amounted to $325,000,000 compared with $322,533,400 in the corresponding period one year ago.

In June, 1945, net railway operating income, before interest and rentals, totaled $96,114,902 compared with $99,517,169 in May, 1944. For the half-year net railway operating income was $535,786,815 compared with $552,425,259 in the same period of 1944.

In the 12 months ended June 30, 1945, the rate of return on property investment averaged 3.91% compared with a rate of return of 4.34% for the similar period a year ago.

Operating revenues for June totaled $820,389,757 compared with $799,475,442 in June, 1944, while operating expenses totaled $541,707,405 compared with $518,466,530 in the same month of 1944.

Total operating revenues in the first six months of 1945 totaled $4,699,870,508 compared with $4,636,071,620 in the same period of 1944, or an increase of 1.4%. Operating expenses in the first six months of 1945 amounted to $3.195.745.900 compared with $3,077,777,848 in the corresponding period of 1944, or an increase of 3.8%.

Electric Production—The Edison Electric Institute reports that the output of electricity increased to approximately 4,434.841,000 kwh. in the week ended July 28, 1945, from 4,384,547,000 kwh. in the preceding week. Output for the week ended July 28, 1945, was 1.0% above that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports system output of 168,300,000 kwh. in the week ended July 29, 1945, comparing with 167,600,000 kwh. for the corresponding week of 1944, or an increase of 0.4%.

Local distribution of electricity amounted to 166,900,000 kwh., compared with 158,800,000 kwh. for the corresponding week of last year, an increase of 5.1%.

Paper Production—The ratio of United States paper production to mill capacity for the week ending July 28, 1945, as reported by the American Paper & Pulp Association, was 93.4%, compared with 89.8% (revised) for preceding week and 91.3% for corresponding week a year ago. Paperboard production was at 95% for the same week, compared with 96% for preceding week and 96% for corresponding week a year ago.

Business Failures Decline—After an upswing last week, commercial and industrial failures fell off a little in the week ending Aug. 2, reports Dun & Bradstreet, Inc. However, this was the second consecutive week that failures have outnumbered those in the comparable week of 1944. Eighteen concerns failed in the week just ended, as compared with 22 in the previous week and 15 a year ago.

There were twice as many large failures as there were small, but in both size groups failures exceeded the number in last year's comparable week. Large concerns failing with liabilities of $5,000 dropped from 17 a week ago to 12 this week—one more than in the same week of 1944. Only a negligible change occurred in small failures. Concerns failing with liabilities under $5,000 numbered six as compared with five in the previous week and four last year.

Small decreases from a week ago appeared in manufacturing, retailing and commercial service, but failure in all trade and industry groups either equalled or exceeded the number in the corresponding week of 1944.

No Canadian failures were reported, nor were there any in the corresponding week of last year. A week ago there were three failures reported in Canada.

Wholesale Commodity Average Up Slightly—Reflecting firmer grain prices, the Dun & Bradstreet daily wholesale commodity price index held quite steady during the past week, closing at 176.28 on July 31, comparing with 175.97 on July 24 and with 171.76 on the corresponding date a year ago.

Grain markets as a rule maintained a firm undertone during the week. Wheat prices averaged higher despite bumper crop prospects and a peak movement of new winter wheat to market. Heavy government buying of cash wheat was a factor, as was good buying of futures by mills.

Although it is still late, the corn crop, aided by hot weather, made excellent progress. Trading in corn was very light due to lack of offerings and small receipts.

Flour purchases by large chain and independent bakers reached substantial proportions in anticipation of a reduction in the subsidy rates for August. Trading in hog markets was again restricted by small receipts which cleared easily at ceiling prices.

There was a feeling of caution in leading cotton markets last week as the old crop season drew to a close. Trading volume was moderate and price movements held in a narrow range with closing values showing little change from a week earlier.

In leather markets, the demand appeared to be for high quality leathers, with less interest shown in the lower grades. Demand from makers of civilian shoes appeared to slacken. Trading in hides was expected to be active this week on the new permits which expire August 11. Cattle slaughter for July was somewhat off from the June kill. Output of shoe factories and tanneries was still hampered by insufficient manpower.

The raw wool market at Boston remained dull although there was a little more activity noted in domestic wools as a result of a request for bids by the Quartermaster Corps for additional deliveries of serges and flannel cloth for shirting. There was good demand for Australian fine wools, both spot and to arrive.

Wholesale Food Price Index Declines—Continuing to move in a narrow range, the wholesale food price index, compiled by Dun & Bradstreet, Inc., dropped back one cent to stand at $4.10 on July 31. Compared with last year's $4.03, this represented a rise of 1.7%. Advances during the week were registered in wheat, rye, eggs and potatoes, while declines occurred in flour, oats, barley, sheep and lambs.

The index represents the sum total of the price per pound of 31 foods in general use.

Retail and Wholesale Trade—Althought the volume of retail trade for the country at large continue above the figure for last year, it decreased from the previous week, according to Dun & Bradstreet, Inc. Food volume was lower than the week before. Retailers received a small quantity of previously unavailable household goods which were quickly bought by consumers.

Women's summer sportswear and children's clothes continued to be emphasized in apparel volume, although successful promotional activities started on fall merchandise. Fall millinery sales in all price brackets were large. Fur sales were over the corresponding week of 1944. Men's wear continued steady with last year. Swiss silk crepe and English cotton nets at high prices were in demand; woolen piece goods sold in unseasonably large volume as consumers planned fall wardrobes early.

Sales of canning equipment, which last week were reported low because of sugar rationing, have since increased to a level above last year. Some pre-war household utensils, such as electric irons, clocks, and can openers, began to appear in slightly greater quantities. Some small staple hardware items and a few steel products were received by hardware stores. There was an increased demand for better furniture.

Food volume decreased slightly from last week. The meat situation was eased with increased supplies and decreased point values. Frozen food stores received a steady flow of business. Fresh fruit and vegetables are reaching the market in fairly large quantities.

Retail sales for the U. S. were estimated at 8 to 13% above 1944. Regional percentage increases were: New England, 6 to 10; East, 10 to 14; Middle West, 9 to 13; Northwest, 8 to 12; South, 6 to 10; Southwest, 13 to 17, and Pacific Coast, 9 to 14.

Wholesale trade also was up compared to 1944, but about even with recent weeks. Orders for fall apparel took the place of most of the summer reorders. Transactions in the textile markets were lower. Wholesalers were able to deliver larger amounts of hardware. Automobile parts and accessories were in great demand and in some sections were somewhat easier to obtain. Increased demands pushed grocery volume above the 1944 level.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended July 28, 1945, increased by 15% and compared with a gain of 14% in the preceding week. For the four weeks ended July 28, 1945, sales increased by 19%, and for the year to date by 13%.

Activity continued in retail trade here in New York last week with the increase in sales volume on a percentage basis over last year smaller than in the preceding week. Wholesale apparel markets received some encouragement from reports that governmental order M-388 would be dropped, a development which, it was believed, according to the New York "Times," would lead to larger supplies for the last quarter of the year. Continued shortages brought about a decline in wholesale food volume, while retail volume remained for the most part unchanged.

According to the Federal Reserve Bank's index, department store sales in New York City for the weekly period to July 28, 1945, increased by 30% above the same period of last year. This compared with a gain of 11% in the preceding week. For the four weeks ended July 28, 1945, sales rose by 19% and for the year to date by 14%.

War Loan Purchases by Savs. & Loan Ass'ns

Final tabulation of the Seventh War Loan purchases of the Savings and Loan Associations and co-operative banks show $811,895,000 poured from these home financing institutions into the Treasury, the United States Savings and Loan League reports. A. E. Albright, Akron, O., National Chairman of the League's Committee on Bond Purchases, says that the combined institutions, besides more than doubling any previous war loan performance, bought 232% of their self-imposed quota for this drive. Advices from the League on Aug. 4 added:

"Figures from some 455 associations from which more detailed information was available show that before the drive started they had 25.3% of all assets invested in Government Bonds, and the purchases during the Seventh will take this percentage into new high territory, Mr. Albright said.

"It was just three years ago, he pointed out, that the United States League started marshalling the resources of the associations for helping finance the war. Their first effort was a self-imposed quota of $100.000,000 of bond purchases for the last half of 1942, and their purchases since that time, including the Seventh War Loan, amount to more than $2,500,000,000.

Albania Pact for Supplies

A wireless message from Rome, Italy on August 2 to the New York "Times" had the following to say:

"An agreement between Enver Hoxha, Premier of Albania, and Col. D. R. Oakley Hill, chief of the United Nations Relief and Rehabilitation mission in Albania, whereby the UNRRA will furnish Albania with food, textiles, engineering equipment and medical and agricultural supplies was signed yesterday, it was announced here today.

"Roy Cochran, former Governor of Nebraska, who is UNRRA liaison chief at Allied Force Headquarters, witnessed the signatures.

"The agreement provides that UNRRA supplies shall be made available for distribution "without discrimination" by Albanian authorities. Those who can afford to will pay, with any such sums to be applied to further relief and rehabilitation within the country. Military liaison brought into Albania 9,500 tons of supplies and 334 vehicles between April 11 and June 30."

Steel Production Off 3.2%—Ordering For Military Needs Reduced—More Cutbacks Made

"Indications are mounting that the military appetite for steel for prosecution of the Japanese War may be nearly satiated within the next 60 days," states "The Iron Age" in its issue of today (Aug. 9), which further adds in part: "Consumption after that period will be determined by immediate requirements, always subject to revision, but long-range needs will be definitely reduced.

"In fact, continuing pressure from business and political quarters may compel military to disgorge tonnage which has clogged mill schedules. Until this prospect becomes reality, however, civilian producers must still live on hope alone. The first tangible indications that a home had been found for the bulk of most 'must' requirements for sheet steel products came from last week's notification to the mills by WPB that third quarter sheet schedules had been unfrozen. If no rated orders are on hand, mills may insert unrated civilian orders to plug whatever holes may appear in schedules. Prior to the freeze early in July such spot openings had afforded minor tonnages for the automotive industry and others. Current prospects are that spot openings before the end of September will be few and tonnages thus made available small. Keeping a close check on the mill diet, WPB still requires that openings must be reported to it before new orders are scheduled for production.

"Reduced ordering for military needs last week widened the gap by which rated order volume now trails civilian ordering.

"Bad news for civilians lies in comparison of delivery dates curcurently quoted by mills with those prevailing a month ago. Plate orders have kept pace with production making October the earliest available date compared with September quoted last month by the larger producers. Navy orders have fallen heaviest on Western mills whose backlog has been severely depleted. The Navy orders also have pushed structural deliveries as far back as December from September offerings made last month. Carbon bar deliveries still are quoted for December by most mills, although quality grades now are not available until February. Strip deliveries continue on a four to five month basis, with some independent producers having earlier openings. The barrier facing would-be civilian buyers, unless relief materializes, is indicated by sheet deliveries extending into March, 1946. Cold rolled sheets, chief concern of the automotive industry, have become only slightly easier, with December schedules still holding the first openings.

The American Iron and Steel Institute on Aug. 6 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 90% of the steel capacity of the industry will be 87.9% of capacity for the week beginning Aug. 6, compared with 90.8% one week ago, 89.0% one month ago and 96.6% one year ago. The operating rate for the week beginning Aug. 6 is equivalent to 1,610,000 tons of steel ingots and castings, compared to 1,663,100 tons one week ago, 1,630,200 tons one month ago, and 1,737,500 tons one year ago.

* * *

"Steel," of Cleveland, in its summary of the iron and steel markets, on Aug. 6, stated in part, as follows: "While overall pressure for steel is easier, heavy requirements still burden mill books and operating rates have reached midsummer without having gone more than a trifle below 90% of capacity with prospects promising for continued active demand for months ahead.

"Cancellations are being received more freely but there also is much new tonnage, especially considering the volume of unrated work awaiting scheduling.

"Shell demand has been maintained in much better degree than expected and while the small ammunition program is off decidedly requirements of a number of larger projectiles, rockets and some types of bombs are still heavy. As long as shell needs are reasonably sustained steel production is not likely to meet a sharp dip.

"Considerable activity continues in other war work, involving not only bars and shell forgings but sheets, strip, shapes, tubing and in better degree than expected even in plates, in spite of the decline in shipbuilding.

"Unrated tonnage is accumulating, though less rapidly than in early summer, because of better appreciation of difficulty in getting definite delivery promise. Even in plates unrated tonnage has not been easy to place as had been expected. One eastern platemaker estimates that unrated plate bookings this quarter will not be more than 20% of the total, if it reaches that level.

"To correct the inequality caused by the recent advance of $2 per ton on hot-rolled carbon bars without an equivalent increase on cold-finished, Office of Price Administration has allowed the ceiling on cold-finished to be raised $2 per ton. However, this is accompanied by elimination of certain extras which were charged previously. This is the first compensatory price action taken by OPA on steel products since government price control was effected. OPA also has permitted warehouses to pass along this increase on cold-finished bars to their customers."

Pensions for Disabled Veterans Liberalized

Under a bill passed by the Senate, pension rates for disabled veterans have been liberalized, raising the payments substantially over the level approved by the House. United Press advices from Washington Aug. 2 reporting this further said:

"The measure goes to conference with the House to be acted on when Congress reconvenes in October.

"Under the Senate version, pensions would be increased to these figures:

"For the loss of two limbs at a level preventing normal knee or elbow action with prosthetic devices, or blindness in both eyes—$235 a month.

"For loss of two limbs so near the shoulders or hips that prosthetic devices cannot be used, or the "anatomical loss" of both eyes—$265 a month.

"For loss of both hands or both feet, or of one hand and one foot, or blindness in both eyes with 5/200 vision or less, or a permanent bedridden state necessitating regular aid and attendance—$200 monthly."

Carville U. S. Senator

E. P. Carville, former Governor of Nevada, was sworn in as a United States Senator on July 26 before debate was resumed on the United Nations charter, the United Press reported from Washington. He succeeds the late Sen. James G. Scrugham. Mr. Carville, who arrived in Washington on July 26, flew from Nevada in order to cast his vote for the charter, which he said "has the almost unanimous endorsement of the people of Nevada." The death of Senator Scrugham was noted in our issue of July 12, page 213.

Ahead Of The News From Washington

(Continued from first page)

nothing like what is being dropped over the CIO leaders nearly every day. We doubt if there is any more panic among the enemy than there is among them. They are the reconversion problem about which you hear so much. There is growing evidence that, left to themselves, the returning soldiers and the present war workers would fit rather easily into our economy, but not the CIO leaders. They see their mushroom unions and membership falling out from under them in the transition, and there is largely where our tremendous and seemingly insoluble reconversion problem lies. They are the ones who are demanding that Congress return and increase unemployment benefits and pass "full employment" legislation, and the like. And they have induced a lot of editors and columnists to shout their alarms.

Exactly what they are up against may be gleaned from the experience of Willow Run when it closed. As we understand it, some 30,000 workers were thrown out. At first the overwhelming majority of them seemed to disappear in thin air. It developed that a lot were just resting up and have subsequently reappeared to claim their unemployment compensation, to rest up some more. But more than 10,000 have never been heard from. They went back to their homes, they got employment elsewhere, they just disappeared. The CIO can't collect from these people. To exist it can't just have workers disappearing this way, men and women who have been making around $100 a week, the great majority of them realizing that the jig would be up some day. The CIO has got to have an "organized" reconversion so it can collect dues in the process.

In this connection a pretty pickle has developed out in Detroit. Ford has made known what the entire motor industry wants but hasn't had the audacity yet to announce. It brings up a very interesting question. Ford is taking the attitude that a veteran whether he has ever worked for Ford or not, should be permitted to be employed in its plant on an equal basis with a 4-F.

The fact is that all of our industries are now loaded up; indeed, so are our service industries, with incompetents. They are the people who are unionized and have established seniority against everyone who happens never to have worked in that industry before. Ford says frankly, and the rest of the automobile industry feels likewise, that he would like to avail himself of the young talent coming back from the wars. He wants an applying veteran's seniority, notwithstanding the veteran has never worked for him, to begin with his entrance into the armed service.

You've got a problem here that can be argued up and down interminably. Bringing in the veterans in a wholesale fashion would be a good way to break up the union. Unquestionably, though, there is better talent available among the discharged soldiers than what industry has had to depend on since Pearl Harbor. The motor industry plans to pitch its appeal on a high patriotic plane.

Can you wonder that the CIO leaders consider that tomorrow is fraught with peril? It is for them.

But they are resourceful fellows and they are getting places with their agitation. Little did Senator Vandenberg know, when he called upon Labor Secretary Schwellenbach to call a labor-management conference to deal with mighty reconversion problems, that it was the CIO's concoction. They sold it to Secretary Schwellenbach and he asked Senator Vandenberg to ask him to do it. A conference is bound to mean legislation of some sort out of which the CIO leaders will emerge on top.

Adjournment of Congress Until October 8; Senate Post-Recess Plans Formulating

The Senate summer recess began at 9:09 p.m. August 1, and although, like the House recess commenced July 21, it is scheduled to last until October 8, the legislators could be summoned back to Washington by either the majority or minority leaders. This might occur should the war with Japan end suddenly, possibly necessitating emergency reconversion legislation or immediate action to reduce taxes.

The day before the Senate adjournment some of the Senate New Dealers met and discussed strategy for forcing action on reconversion and social legislation as soon as the recess ends, according to the United Press, in a Washington dispatch, July 31, which continued:

Senators Claude Pepper (D.-Fla.) and Harley M. Kilgore (D.-W.Va.) called the meeting to "examine the situation and see what further legislation is necessary to meet the growing problems of reconversion and unemployment." For three hours they and 15 party colleagues discussed the need for additional veterans' legislation, the full employment bill, health, education, agriculture and public works measures.

Besides Messrs. Pepper and Kilgore, the meeting was attended by Democratic Senators Elbert D. Thomas, Utah; James M. Mead, New York; Theodore F. Green, Rhode Island; Elmer Thomas, Oklahoma; Brien McMahon, Connecticut; Hugh Mitchell, Washington; Tow Stewart, Tennessee; Theodore Bilbo, Mississippi; Abe Murdock, Utah; Olin D. Johnston, So. Carolina; Glenn Taylor, Idaho; George Radcliffe, Maryland; Edwin C. Johnson, Colorado; Warren Magnuson, Washington, and Scott W. Lucas, Illinois.

Democratic Leader Alben W. Barkley, of Kentucky, was not invited to the meeting. Senators Pepper and Kilgore said the reason was that they did not want to embarrass him by questions as to whether he had committed the Democratic Party to a program of progessive legislation. Senator Pepper, however, disavowed any "Young Turk" intentions and denied that the meeting was prompted by any fear that the Truman administration is taking a too conservative trend.

"On the contrary," he said, "it should be emphasized that some of the legislation discussed here was recommended by President Truman. I believe that if he still were a member of the Senate he would be among us today."

Senator Barkley declined, the United Press report went on to say, to comment on the meeting or its objectives, but he told reporters that he was working on his own recommendations for a party program after the recess.

Mr. Barkley said he had been working for several weeks on a list of legislative recommendations by President Truman and the late President Roosevelt on which Congress has not yet acted. He mentioned additional reconversion legislation, unemployment compensation, expansion of social security and an increase in minimum wage standards—subjects also discussed by the New Deal wing at its luncheon meeting.

Mr. Pepper said his plan was to "bring into focus a progressive program for the nation to consider during the recess and on which I hope Congress will act promptly when the vacation is over."

"It seems to me we have been very generous with business," he said. "Now we should do something about the human side of the (reconversion) problem."

The following day Senator Barkley told the Senate, as it prepared to embark on its vacation, that it faced numerous urgent domestic legislative tasks when it returned in October, some being direct requests from President Truman, others carryovers from President Roosevelt's program which was embraced without reservation by his successor.

Senator Barkley suggested to the Senators, according to the Associated Press report from Washington, Aug. 1, that they give consideration during the recess to these other "pressing problems" which face the country besides its primary task of defeating Japan:

1. Legislation authorizing the President to reorganize the agencies and departments of the executive branch of government.
2. Widening of unemployment compensation coverage, with increased benefits during the reconversion period and supplementary Federal payments to create a national minimum standard.
3. Comprehensive housing legislation.
4. Creation of a single surplus property administrator, instead of a board.
5. Full employment legislation.
6. Reduction of taxes as soon as practicable.
7. Broadening of the social security law.
8. Elimination of cartels and monopolies.
9. Financial aid by Government to business.
10. Water power development.
11. Highway improvement and construction.
12. Study of Mr. Roosevelt's proposed "economic" bill of rights.

As for taxes, Barkley observed that the Federal Government collected $43,000,000,000 in income taxes on individuals and corporations last year, an amount he said he did not think necessary after the defeat of Japan. He estimated that from $20,000,000,000 to $22,000,000,000 a year would be necessary to carry on government after the war.

Senator Taft of Ohio, Chairman of the Republican Steering Committee, expressed dissatisfaction with the agenda presented by Majority Leader Barkley. "Senator Barkley laid misleading emphasis on several things," he declared, according to the Associated Press, Aug. 2. For instance, Mr. Taft told a reporter, Republicans are more interested in seeing that real jobs are available after conversion than they are in the amount and duration of unemployment compensation. The Senator indicated that a Republican legislative program would also await the Senate when its members returned to Washington in the Fall.

E-R Mortgage of East River Savings Bank

The E-R (Economy Rate) Mortgage of the East River Savings Bank of New York is being publicized through a series of promotion pieces. A folder describing the mortgage service emphasizes the fact that information may be secured at each of the 5 offices of the bank and describes the five features of The Economy Rate Mortgage Loan: 1. Individual Plans; 2. Easy to Repay; 3. Limited Fees; 4. Economy Rates of interest; 5. Long-Range Service.

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table.

MOODY'S BOND PRICES†
(Based on Average Yields)

1945— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus
Aug. 7	122.25	116.02	120.84	119.00	116.02	108.34	112.93	115.82	119.00
6	122.33	116.02	120.84	119.20	116.02	108.34	113.12	115.82	119.00
4	Stock Exchange Closed								
3	122.36	115.82	120.84	119.20	116.02	108.16	112.93	115.82	119.00
2	122.30	116.02	120.84	119.41	116.02	108.16	112.93	115.82	119.20
1	122.28	115.82	120.84	119.41	115.82	108.16	112.93	115.82	119.20
July 27	122.39	115.82	120.84	119.20	115.82	108.16	112.93	115.63	119.00
20	122.80	116.02	121.04	119.41	116.02	108.34	112.93	115.63	119.41
13	122.39	116.22	121.04	119.61	116.22	108.34	113.31	115.63	119.61
6	122.92	116.02	121.04	119.41	116.02	108.16	112.93	115.63	119.61
June 29	122.93	116.02	121.04	119.20	116.02	108.16	112.93	115.43	119.41
22	122.97	115.82	120.84	119.20	115.82	107.80	112.75	115.43	119.20
15	122.97	115.82	120.84	119.20	115.82	107.80	112.75	115.43	119.41
8	122.81	115.63	120.84	119.00	115.63	107.62	112.37	115.24	119.41
1	122.23	115.43	120.63	119.00	115.43	107.44	112.37	114.85	119.20
May 25	122.29	115.43	120.63	118.80	115.43	107.44	112.19	114.85	119.20
18	122.31	115.43	120.63	118.80	115.43	107.27	112.19	114.66	119.41
11	122.26	115.24	120.84	118.40	115.43	107.09	112.19	114.46	119.41
4	122.38	115.24	120.84	118.40	115.24	107.09	112.00	114.27	119.41
Apr. 27	122.38	115.24	120.84	118.40	115.04	107.09	112.19	114.27	119.20
Mar. 31	122.01	114.85	121.04	118.40	114.85	106.04	111.25	114.27	119.20
Feb. 23	121.92	114.66	120.02	118.60	114.46	106.04	110.52	114.08	119.41
Jan. 26	120.83	113.89	119.41	118.00	113.70	105.17	109.24	113.89	118.60
High 1945	123.05	116.22	121.04	119.61	116.22	108.34	113.31	115.82	119.61
Low 1945	120.55	113.50	118.80	117.80	113.31	104.48	108.52	113.70	118.20
1 Year Ago Aug. 7, 1944	120.00	112.56	118.80	117.00	112.19	103.30	106.92	114.27	117.20
2 Years Ago Aug. 7, 1943	120.19	111.25	119.20	117.00	111.62	99.04	103.13	114.08	117.40

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1945— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus
Aug. 7	1.65	2.86	2.61	2.70	2.85	3.26	3.01	2.86	2.70
6	1.64	2.85	2.61	2.69	2.85	3.26	3.00	2.86	2.70
4	Stock Exchange Closed								
3	1.64	2.86	2.61	2.69	2.85	3.27	3.01	2.86	2.70
2	1.64	2.85	2.61	2.68	2.85	3.27	3.01	2.86	2.69
1	1.64	2.86	2.61	2.68	2.86	3.27	3.01	2.86	2.69
July 27	1.64	2.86	2.61	2.69	2.86	3.27	3.01	2.87	2.70
20	1.60	2.85	2.60	2.68	2.85	3.26	3.01	2.87	2.68
13	1.60	2.34	2.60	2.67	2.84	3.26	2.99	2.87	2.67
6	1.60	2.85	2.60	2.68	2.85	3.27	3.01	2.87	2.67
June 29	1.60	2.85	2.60	2.69	2.85	3.27	3.01	2.88	2.68
22	1.59	2.86	2.61	2.69	2.86	3.29	3.02	2.88	2.69
15	1.59	2.86	2.61	2.69	2.86	3.29	3.02	2.88	2.68
8	1.60	2.87	2.61	2.70	2.87	3.30	3.04	2.89	2.68
1	1.64	2.88	2.62	2.70	2.88	3.31	3.04	2.91	2.69
May 25	1.64	2.88	2.62	2.71	2.88	3.31	3.05	2.91	2.69
18	1.64	2.88	2.62	2.71	2.88	3.32	3.05	2.92	2.68
11	1.64	2.89	2.61	2.73	2.88	3.33	3.05	2.93	2.68
4	1.63	2.89	2.61	2.73	2.89	3.33	3.06	2.94	2.68
Apr. 27	1.63	2.89	2.61	2.73	2.90	3.33	3.05	2.94	2.69
Mar. 31	1.66	2.91	2.60	2.73	2.91	3.39	3.10	2.94	2.69
Feb. 23	1.69	2.92	2.65	2.72	2.93	3.39	3.14	2.95	2.68
Jan. 26	1.77	2.96	2.68	2.75	2.97	3.44	3.21	2.96	2.72
High 1945	1.80	2.98	2.71	2.76	2.99	3.48	3.25	2.97	2.74
Low 1945	1.59	2.84	2.60	2.67	2.84	3.26	2.99	2.86	2.67
1 Year Ago Aug. 7, 1944	1.80	3.03	2.71	2.80	3.05	3.55	3.34	2.94	2.79
2 Years Ago Aug. 7, 1943	1.84	3.10	2.69	2.80	3.08	3.81	3.56	2.95	2.78

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

National Fertilizer Association Commodity Price Index Advances to Previous Peak

The weekly wholesale commodity price index, compiled by The National Fertilizer Association and made public on Aug. 6, advanced slightly to its previous all-time peak of 141.7 for the week ended August 4, 1945, from 141.5 for the preceding week. A month ago the index stood at 141.5, and a year ago at 138.8, all based on the 1935-1939 average as 100. The Association's report went on to say:

The farm products group reached a new high point with its three component groups sharing in the advance. The rise in each of these subgroups was small. The grains index advanced because of higher prices for wheat at Kansas City for rye. The livestock index reached a new high point with higher prices for lambs and eggs more than offsetting lower prices for sheep. Timothy hay at New York advanced during the week. The foods index advanced fractionally, with the quotations for potatoes and eggs advancing slightly. The textiles index also advanced slightly. All other groups in the index remained unchanged.

During the week 8 price series in the index advanced and only 1 declined; in the preceding week there were 6 advances and 5 declines; in the second preceding week there were 4 advances and 6 declines.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Aug. 4, 1945	Preceding Week July 28, 1945	Month Ago July 7, 1945	Year Ago Aug. 5, 1944
25.3	Food	144.0	†143.6	143.1	141.6
	Fats and Oils	145.0	145.0	145.2	145.1
	Cottonseed Oil	162.4	162.4	163.1	163.1
23.0	Farm Products	168.4	167.7	167.2	162.9
	Cotton	214.4	213.0	213.9	201.5
	Grains	164.0	163.5	165.0	157.8
	Livestock	163.0	162.3	160.8	158.7
17.3	Fuels	133.3	133.3	133.3	130.1
10.8	Miscellaneous Commodities	133.9	133.9	133.7	132.2
8.2	Textiles	157.0	156.8	157.0	152.4
7.1	Metals	108.9	108.9	108.9	104.4
6.1	Building Materials	153.8	153.8	153.8	154.0
1.3	Chemicals and Drugs	125.8	125.8	125.9	126.9
.3	Fertilizer Materials	118.3	118.3	118.3	118.3
.3	Fertilizers	119.9	119.9	119.9	119.7
.3	Farm Machinery	104.8	104.8	104.8	104.5
100.0	All groups combined	141.7	†141.5	141.5	138.8

*Indexes on 1926-1928 base were: Aug. 4, 1945, 110.4; July 28, 1945, †110.2, and Aug. 5, 1944, 108.1. †Revised.

Non-Ferrous Metals — Current Use of Copper Estimated at Around 110,000 Tons a Month

"E. & M. J. Metal and Mineral Markets," in its issue of August 2, states: As August opened it became evident that the volume of business for the month will hold at about the same rate as in July. Producers estimate that copper consumption this month will total around 110,000 tons. Fabricators, in most instances, are reducing their inventories. There was a fairly active demand for Prime Western zinc for galvanizing. Antimony metal has moved into a stronger position than antimony oxide, indicating that the call for the latter for flameproofing has dropped. Controls on use of iridium have been lifted. Canada has eased its limitation order on nickel. Quicksilver remains unsettled and lower prices were named last week, establishing spot metal at $135 per flask. The publication further went on to say in part as follows:

Copper

Consumers experienced no difficulty in obtaining copper. With imports in good volume, a fairly large tonnage will be added to the stockpile during August. There was some improvement in export business. Liberated countries are looking for copper, but the credit situation hampers business so far as private transactions are concerned.

Lead

Lead was removed from the list of "critical materials" and placed on the list of products still under "surveillance," according to an announcement by WPB last week. With stocks increasing, producers hope for a gradual easing of at least some of the controls. Receipts of lead in ore and scrap by United States smelters amounted to 48,638 tons in June, against 43,510 tons in May. The gain resulted from larger imports.

Sales of lead for the week totaled 5,090 tons, against 4,997 tons in the week previous.

Shipments of automotive replacement batteries during June amounted to 1,325,000 units, against 1,326,000 units in May and 1,368,000 units in June last year, preliminary figures by Dun & Bradstreet indicate. The estimated industry total for Canada was 81,900 batteries for June, 76,600 for May, and 65,800 for June, 1944.

Production of refined lead in Mexico amounted to 22,024 tons in May, which compares with 16,081 tons in April, the American Bureau of Metal Statistics reports. Production in the first five months of 1945 amounted to 86,455 tons, an average of 17,291 tons a month. Output for all of 1944 totaled 193,464 tons, an average of 16,122 tons a month.

Zinc

A good volume of zinc business was placed during the last week, a natural development in view of the fact that certificates for preferred orders were released quite recently by WPB. Demand was chiefly for Special High Grade and Prime Western. However, from present indications, requests for August zinc, covering all grades, are not expected to absorb the month's production. Dissatisfaction over the present arrangement for taking care of preferred and ordinary business continues.

Consumption of slab zinc during May totaled 84,678 tons, against 84,488 tons in April, the Bureau of Mines reports. Consumption in May, by grades, was: Special High Grade, 20,188 tons; Regular High Grade, 23,030; Intermediate, 5,202; Brass Special, 5,683; Selected, 678; Prime Western, 29,295; Remelt, 602.

Aluminum

Production of primary aluminum during May amounted to 104,000,000 lb., against 103,200,000 lb. in April. Production of secondary aluminum in May amounted to 66,000,000 lb. against 63,200,000 lb. in April, the Aluminum and Magnesium Division, WPB, reports.

Nickel

Munitions Minister Howe, Ottawa, announced on July 26 that Canadian restrictions governing the sale and use of nickel anodes and primary nickel have been rescinded. The regulations limited purchases of nickel anodes for plating to 110 lb. per month, and allowed dealers to carry not more than a three-months' supply. Purchases in excess of these amounts could be made only under permit. Purchase of primary nickel was limited to 500 lb. per month, with larger quantities allowed only under permit. Reports on stocks and consumption had to be filed monthly.

Iridium

The War Production Board announced on July 30 that all controls on the distribution and end uses of iridium, one of the metals in the platinum group, have been removed by revocation of Order M-49. Iridium was used extensively in the manufacture of electrical contact points, and as a hardening agent in platinum. With controls still operative in platinum, the removal of restrictions on iridium are not expected to open up the market for the metal in the manufacture of non-essential products.

Tin

The tin situation remains unchanged. During the last week, WPB again listed tin among the few metals that remain on the critical list and issued another warning to consumers to conserve on supplies. The warning was directed chiefly at manufacturers engaged in planning for civilian production.

Forward quotations on Straits quality tin, in cents per pound, were nominally as follows:

	Aug.	Sept.	Oct.
July 26	52.000	52.000	52.000
July 27	52.000	52.000	52.000
July 28	52.000	52.000	52.000
July 30	52.000	52.000	52.000
July 31	52.000	52.000	52.000
Aug. 1	52.000	52.000	52.000

Chinese, or 99% tin, continued at 51.125¢ per pound.

Quicksilver

In the absence of any important business, the market for quicksilver during the last week remained unsettled and prices at all times more or less nominal. Large consumers who were approached in reference to placing forward business in Spanish metal replied that they were "not interested." Under these circumstances, importers of Spanish quicksilver said they were in no position to "quote" the market at less than $140. Domestic metal on spot was offered at $135 per flask in several directions, though some sellers held to around $140 and even higher. Business was done in prompt shipment from the Pacific Coast at $132 per flask, New York. Forward metal for shipment from Mexico was available at less than $130 per flask. Consumers, with few exceptions, have been reducing their inventories, with Japanese developments a factor.

Silver

The London silver market was quiet last week and the price continued at 25½d. The New York Official for foreign silver was unchanged at 44¾¢, with domestic metal at 70⅝¢.

Illinois Bankers Name Personnel Committee

In order to provide greater incentives and to make the career of banking more desirable and attractive to bank personnel, including both staff members and officers, the Council of Administration of the Illinois Bankers Association authorized the appointment of a Special Committee on Bank Personnel, it was made known on July 28.

Floyd M. Condit, President of the Association and President of the First National Bank of Beardstown, announces the appointment of George L. Luthy, President of the Commercial National Bank of Peoria, as Chairman and James E. Mitchell, President of the First National Bank in Carbondale, as Vice-Chairman of this Committee. The Committee, the advices state, will make a comprehensive study of all factors affecting bank employees — such as pay schedules, working conditions and hours; profit-sharing and pension plans and various types of insurance, including hospitalization, health and accident and life.

The membership of the Committee, consisting of 10 members from every section of the State, is as follows:

D. E. Chamberlin, Drovers National Bank, Chicago; J. DeForest Richards, Nat'l Boulevard Bank of Chicago; George C. Williams, State Bank & Trust Company, Evanston; Fred A. Gerding, First National Bank, Ottawa; Philip L. Speidel, First National Bank, Lake Forest; B. H. Ryan, State Bank of East Moline, East Moline; F. R. Rantz, Elliott State Bank, Jacksonville; M. C. Norton, First National Bank, Champaign; J. W. Haegen, First National Bank, Sullivan and E. J. Karsch, Sparta State Bank, Sparta.

The Committee will hold its organization meeting at the Palmer House, Chicago, the week of September 10th.

$2,500 Pay Increase Tax Free for House Members

On July 23 Associated Press advices from Washington reported that members of the House will not pay income taxes on their expense allowance of $2,500 a year if their returns state that the money was "fully expended in the performance of official duties." The advices as given in the New York "Times" added:

A Treasury ruling to this effect was disclosed today in a letter from the Commissioner of Internal Revenue Joseph D. Nunan Jr. to Representative O'Neal of Kentucky, printed in the Congressional Record.

Members of the House will not have to itemize in their tax returns the ways in which they spend the $2,500. (Ordinarily a taxpayer claiming deductions for business expenses must itemize these expenses.)

However, if requested by the Internal Revenue agent examining his return, a Representative "will, like any other taxpayer who receives an expense allowance from his employer, be required to substantiate the claimed deduction by showing that the entire $2,500 was used for expenses which are properly deductible" under the Internal Revenue Code.

Moody's Daily Commodity Index

Tuesday, July 31, 1945	254.9
Wednesday, Aug. 1	254.9
Thursday, Aug. 2	255.0
Friday, Aug. 3	255.4
Saturday, Aug. 4	255.2
Monday, Aug. 6	255.2
Tuesday, Aug. 7	254.8
Two weeks ago, July 24	254.4
Month ago, July 7	256.4
Year ago, Aug. 7, 1944	249.2
1944 High, Dec. 31	254.4
Low, Nov. 1	245.7
1945 High, June 12	258.0
Low, Jan. 24	252.1

Trading on New York Exchanges

The Securities and Exchange Commission made public on July 25 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended July 14, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended July 14 (in round-lot transactions) totaled 1,594,109 shares, which amount was 14.90% of the total transactions on the Exchange of 5,348,950 shares. This compares with member trading during the week ended July 7, of 1,312,335 shares, or 14.08% of the total trading of 4,662,080 shares. On the New York Curb Exchange, member trading during the week ended July 14 amounted to 439,365 shares or 14.34% of the total volume on that exchange of 1,531,485 shares. During the week ended July 7 trading for the account of Curb members of 353,110 shares was 13.01% of the total trading of 1,357,371 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED JULY 14, 1945

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	128,690	
‡Other sales	5,220,260	
Total sales	5,348,950	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	442,940	
Short sales	74,640	
‡Other sales	330,220	
Total sales	404,860	7.92
2. Other transactions initiated on the floor—		
Total purchases	124,540	
Short sales	8,700	
‡Other sales	143,860	
Total sales	152,560	2.59
3. Other transactions initiated off the floor—		
Total purchases	159,050	
Short sales	27,130	
‡Other sales	283,029	
Total sales	310,159	4.39
4. Total—		
Total purchases	726,530	
Short sales	110,470	
‡Other sales	757,109	
Total sales	867,579	14.90

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED JULY 14, 1945

A. Total Round-Lot Sales:		
Short sales	21,305	
‡Other sales	1,510,180	
Total sales	1,531,485	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	117,670	
Short sales	7,955	
‡Other sales	123,015	
Total sales	130,970	8.12
2. Other transactions initiated on the floor—		
Total purchases	36,755	
Short sales	4,800	
‡Other sales	54,720	
Total sales	59,520	3.14
3. Other transactions initiated off the floor—		
Total purchases	32,410	
Short sales	3,200	
‡Other sales	58,840	
Total sales	62,040	3.08
4. Total—		
Total purchases	186,835	
Short sales	15,955	
‡Other sales	236,575	
Total sales	252,530	14.34
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	81,447	
Total purchases	81,447	
Total sales	50,355	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Wholesale Prices Rose 0.2% in Week Ended July 28 Labor Dept. Reports

The first increase since early June occurred in the Bureau of Labor Statistics' index of commodity prices in primary markets during the week ended July 28, when the general average advanced 0.2%, according to the United States Department of Labor, which on Aug. 2 said that "higher quotations for agricultural products were responsible for the rise." The index, at 105.8% of the 1926 average was 0.1% below the level at the end of June, and 1.8% above the corresponding week of last year," said the Department which also reported:

"**Farm Products and Foods**—Average market prices for farm products rose 0.9% during the week as the result of higher quotations for fruits and vegetables and eggs. Apple prices were substantially higher in Eastern markets following a further increase in disaster allowances by OPA. Lemons and oranges advanced seasonally and white potatoes in eastern markets were higher reflecting shorter supplies. Onion quotations continued to decline following OPA's removal of the disaster ceiling. Prices for eggs rose more than 2% as seasonal adjustments were made in ceiling prices. Cotton quotations were fractionally lower. Quotations for steers rose nearly 2% as a result of the severe shortage of animals on the market. Among the grains, oats and wheat were seasonally lower, corn quotations declined, and rye prices rose fractionally. Average prices for farm products were 0.3% below the level of four weeks earlier and 4.5% above the end of July, 1944.

"The increase of more than 4% in quotations for fruits and vegetables raised the index for foods by 0.8%. Prices for oatmeal dropped with seasonally lower demand. Average food prices were 0.1% above the end of June and 2.0% above a year ago.

"**Other Commodities**—No important price movements occurred for other commodities during the week. Mercury quotations declined, continuing the decrease which began several months ago. Turpentine prices also were lower. During the month of July, average prices for building materials and chemicals and allied products declined fractionally while other industrial groups remained unchanged, but the decreases were not sufficient to affect the group index for all commodities other than farm products and foods which remained unchanged for each week during the month, at a level 1.1% above the end of July, 1944."

The Labor Department included the following notation in its report:

Note—During the period of rapid changes caused by price controls, materials allocation, and rationing, the Bureau of Labor Statistics will attempt promptly to report changing prices. The indexes must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following tables show (1) indexes for the past three weeks, for June 30, 1945 and July 29, 1944 and (2) percentage changes in subgroup indexes from July 21, 1945 to July 28, 1945.

WHOLESALE PRICES FOR WEEK ENDED JULY 28, 1945

(1926 = 100)

						Percentage change to July 28, 1945, from—		
Commodity Groups—	7-28 1945	7-21 1945	7-14 1945	6-30 1945	7-29 1944	7-21 1945	6-30 1945	7-29 1944
All commodities	105.8	105.6	105.6	105.9	103.9	+0.2	—0.1	+1.8
Farm products	129.7	128.5	128.2	130.1	124.1	+0.9	—0.3	+4.5
Foods	107.4	106.5	106.2	107.3	105,3	+0.8	+0.1	+2.0
Hides and leather products	118.5	118.5	118.5	118.5	116.8	0	0	+1.5
Textile products	99.1	99.1	99.1	99.1	97.4	0	0	+1.7
Fuel and lighting materials	84.8	84.8	84.8	84.8	83.9	0	0	+1.1
Metals and metal products	104.8	104.8	104.8	104.8	103.8	0	0	+1.0
Building materials	117.3	117.3	117.3	117.4	115.9	0	—0.1	+1.2
Chemicals and allied products	95.2	95.2	95.2	95.4	95.4	0	—0.2	—0.2
Housefurnishing goods	106.2	106.2	106.2	106.2	106.0	0	0	+0.2
Miscellaneous commodities	94.6	94.6	94.6	94.6	93.3	0	0	+1.4
Raw materials	118.5	117.7	117.6	118.7	113.8	+0.7	—0.2	+4.1
Semimanufactured articles	95.2	95.2	95.2	95.3	93.8	0	—0.1	+1.5
Manufactured products	101.9	101.9	101.9	102.0	101.1	0	—0.1	+0.8
All commodities other than farm products	100.6	100.6	100.6	100.6	99.5	0	0	+1.1
All commodities other than farm products and foods	99.8	99.8	99.8	99.8	98.7	0	0	+1.1

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM JULY 21, 1945, TO JULY 28, 1945

Increases			
Fruits and vegetables	4.3	Other foods	0.5
Other farm products	1.7	Livestock and poultry	0.4
Decreases			
Cereal	0.5	Grains	0.5

Engineering Construction Volume Highest Since Mid-July 1943

Civil engineering construction volume reached $76,351,000 for the week, the highest weekly volume reported to "Engineering News-Record" since July 15, 1943. It is 86% higher than the total for the preceding week, and up 140% compared with the corresponding 1944 week. The volume is for continental U. S. only, and does not include military construction abroad, American contracts outside the country, and shipbuilding. The report issued on Aug. 2 went on to say:

Both private and public work are the highest reported in 1945. Private work tops all weekly totals reported since Nov. 11, 1943, and public construction is the highest since Oct. 12, 1944. Private work, as a result of the increased volume of commercial and industrial building, is 198% above last week and 253% over last year. Public work is 47 and 96% higher, respectively, than a week ago and a year ago.

The current week's volume brings 1945 construction to $1,123,490,000 for the 31 weeks, 3% above the $1,082,209,000 for the corresponding 1944 period. This is the first time 1945 cumulative volume has climbed above last year except in the opening week of the year. Private construction, $329,970,000, is 33% above last year, but public construction, $793,520,000, is down 5% due to the 12% decline in Federal volume. State and municipal volume, $186,156,000, gains 30% over the 1944 period.

Civil engineering construction volumes for the current week, last week, and the 1944 week are:

	Aug. 2, 1945	July 26, 1945	Aug. 3, 1944
Total U. S. construction	$76,351,000	$41,090,000	$31,818,000
Private construction	31,321,000	10,500,000	8,864,000
Public construction	45,030,000	30,590,000	22,954,000
State and municipal	12,538,000	15,021,000	7,673,000
Federal	32,492,000	15,569,000	15,281,000

In the classified construction groups, all classes of construction except bridges report increases over the preceding week. All classes of work are above their respective 1944-week totals. Subtotals for the week in each class of construction are: water works, $3,804,000; sewerage, $891,000; bridges, $810,000; industrial buildings, $12,634,000; commercial building and private mass housing, $10,043,000; public buildings, $21,669,000; earthwork and drainage, $3,624,000; streets and roads, $9,666,000; and unclassified construction, $13,210,000.

New capital for construction purposes for the week totals $19,133,000. It is made up of $9,046,000 in State and municipal bond sales, $1,000,000 in corporate security issues, and $9,087,000 in Federal funds for construction in the District of Columbia. The week's new financing brings 1945 volume to $1,504,833,000, a total 3% below the $1,559,680,000 for the 31-week period in 1944.

Post-War Construction Planning Volume $21.9 Billions

Identified and recorded engineering projects proposed for construction in the post-war years total $21,872,635,000 according to reports to "Engineering News-Record" in the period from Jan. 1, 1943 through July 26, 1945. Plans are under way or completed on post-war projects valued at $9,716,978,000, 44% of the total volume proposed, and on $1,629,579,000 worth of projects all financing arrangements have been completed.

Results Of Treasury Bill Offering

The Secretary of the Treasury announced on Aug. 6 that the tenders of $1,300,000,000 or thereabouts of 91-day Treasury bills to be dated Aug. 9 and to mature Nov. 8, 1945, which were offered on Aug 3, were opened at the Federal Reserve Bank on Aug. 6.

The details of this issue are as follows:

Total applied for, $2,007,689,000.

Total accepted, $1,317,735,000 (includes $52,114,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price, 99.905, equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High 99.908, equivalent rate of discount approximately 0.364% per annum.

Low 99.905, equivalent rate of discount approximately 0.376% per annum.

(62% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Aug. 9 in the amount of $1,307,423,000.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Aug. 1 a summary for the week ended July 21 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended July 21, 1945

	Total For Week
Odd-Lot Sales by Dealers— (Customers' sales)	
Number of orders	24,592
Number of Shares	711,867
Dollar value	$27,348,148
Odd-Lot Purchases by Dealers— (Customers' sales)	
Number of Orders:	
Customers' short sales	96
*Customers' other sales	21,307
Customers' total sales	21,403
Number of Shares:	
Customers' short sales	3,619
*Customers other sales	530,491
Customers' total sales	534,110
Dollar value	$20,705,860
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	170
†Other sales	120,010
Total sales	120,180
Round-Lot Purchases by Dealers—	
Number of shares	270,170

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Truman Felicitates Norway King on Return to People

President Truman, in a birthday message to King Haakon of Norway on Aug. 3 expressed American satisfaction that the King this year was again among his own people. Special advices to the New York "Times" quotes the President as saying:

"The knowledge that Your Majesty is again among your own people on this anniversary of your birth is deeply gratifying to the American people who followed with greatest sympathy the hardship and suffering through which Norway passed during the long years of Nazi occupation. The people of the United States therefore join with me in sending you today heartiest congratulations and best wishes for the coming year."

Daily Average Crude Oil Production for Week Ended July 28, 1945, Decreased 14,250 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended July 28, 1945 was 4,930,000 barrels, a decrease of 14,250 barrels from the high record reached in the preceding week. It was, however, 321,550 barrels per day in excess of the output for the corresponding week in 1944, and exceeded the daily average figure recommended by the Petroleum Administration for War for the month of July, 1945, by 40,100 barrels. Daily production for the four weeks ended July 28, 1945 averaged 4,926,100 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,996,000 barrels of crude oil daily and produced 16,106,000 barrels of gasoline; 1,438,000 barrels of kerosene; 4,598,000 barrels of distillate fuel, and 9,586,000 barrels of residual fuel oil during the week ended July 28, 1945; and had in storage at the end of that week: 46,277,000 barrels of civilian grade gasoline; 39,731,000 barrels of military and other gasoline; 11,081,000 barrels of kerosine; 36,071,000 barrels of distillate fuel, and 42,283,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P. A. W. Recommendations July	*State Allowables Begin. July 1	Actual Production Week Ended July 28 1945	Change from Previous Week	4 Weeks Ended July 28 1945	Week Ended July 29 1944
Oklahoma	380,000	380,000	†390,400	— 350	389,900	339,500
Kansas	274,000	269,400	†278,450	— 3,900	270,200	279,250
Nebraska	1,000	----	†850	— 50	900	950
Panhandle Texas			87,500	----	87,500	89,150
North Texas			152,300	----	152,300	151,550
West Texas			521,400	----	521,400	463,550
East Central Texas			139,000	----	139,000	148,350
East Texas			379,500	----	379,500	363,550
Southwest Texas			360,750	----	360,750	319,750
Coastal Texas			568,950	----	568,950	531,400
Total Texas	2,180,000	‡2,184,285	2,209,400	----	2,209,400	2,067,300
North Louisiana			70,400	----	70,300	72,350
Coastal Louisiana			296,900	----	296,900	284,400
Total Louisiana	360,000	400.800	367,300	----	367,200	357,750
Arkansas	80,000	78,786	79,550	— 200	79,850	80,500
Mississippi	53,000		51,650	— 650	51,950	45,050
Alabama	500		1,000	----	950	200
Florida	----		150	— 50	200	50
Illinois	200,000		199,700	— 6,100	204,200	207,600
Indiana	13,000		13,300	— 50	12,650	13,400
Eastern— (Not incl. Ill., Ind., Ky.)	64,200		63,250	— 550	63,400	53,150
Kentucky	28,000		29,950	+ 350	30,000	24,950
Michigan	47,000		47,700	+ 2,400	49,000	50,850
Wyoming	118,200		114,650	— 250	113,800	93,450
Montana	22,000		20,800	----	20,800	21,900
Colorado	12,000		12,150	+ 350	11,400	8,600
New Mexico	105,000	105,000	103,250	----	103,250	103,500
Total East of Calif	3,937,900		3,983,500	— 9,050	3,979,050	3,752,950
California	952,000	§952,000	946,500	— 5,200	947,050	855,500
Total United States	4,889,900		4,930,000	—14,250	4,926,100	4,608,450

*PAW recommendations and State allowables, as shown above, represent the production of crude oil only, and do not include amounts of condensate and natural gas derivatives to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. July 19, 1945.

‡This is the net basic allowable as of July 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 2 to 15 days, the entire State was ordered shut down for 5 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 5 days' shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE; GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED JULY 28, 1945

(Figures in thousands of barrels of 42 gallons each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	% Daily Refining Capacity Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	§Gasoline Production at Ref. Inc. Nat. Blended	‡Stocks of Gas Oil & Dist. Fuel Oil	‡Stocks of Residual Fuel oil	‡Gasoline Stocks Military and Other	‡Gasoline Stocks Civilian Grade
East Coast	99.5	808	102.1	1,934	9,083	6,389	5,770	7,622
Appalachian—								
District No. 1	76.8	96	65.8	346	537	266	1,562	1,271
District No. 2	81.2	53	106.0	114	114	120	225	1,073
Ind., Ill., Ky.	87.2	821	95,8	2,952	5,083	2,701	5,976	13,228
Okla., Kan., Mo.	78.3	389	82,9	1,478	2,263	1,395	1,746	6,549
Inland Texas	59.8	248	75.2	1,013	552	969	1,103	1,677
Texas Gulf Coast	89.3	1,209	97,7	4,115	5,625	5,526	10,561	5,588
Louisiana Gulf Coast	96.8	264	101.5	974	1,683	1,091	2,171	2,312
No. La. & Arkansas	55.9	85	67.5	255	960	206	137	1,677
Rocky Mountain—								
District No. 3	17.1	13	100.0	44	21	38	10	87
District No. 4	72.1	113	71.1	372	340	608	625	1,535
California	87.3	897	90.0	2,509	9,810	22,974	9,845	3,658
Total U. S. B. of M. basis July 28, 1945	85.8	4,996	91.9	16,106	36,071	42,283	*39,731	46,277
Total U. S. B. of M. basis July 21, 1945	85.8	4,927	90.7	15,430	35,458	42,480	39,677	46,253
U. S. B. of M basis July 29, 1944		4,629		14,123	37,805	56,667	36,988	44,308

*Includes aviation and military grades, finished and unfinished, title to which still remains in the name of the producing company; solvents, naphthas, blending stocks currently indeterminate as to ultimate use, and 11,314,000 barrels unfinished gasoline this week, compared with 11,727,000 barrels a year ago. These figures do not include any gasoline on which title has already passed, or which the military forces may actually have in custody in their own or leased storage. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,438,000 barrels of kerosene, 4,598,000 barrels of gas oil and distillate fuel oil and 9,586,000 barrels of residual fuel oil produced during the week ended July 28, 1945, which compares with 1,442,000 barrels, 5,090,000 barrels and 9,071,000 barrels, respectively, in the preceding week and 1,321,000 barrels, 4,801,000 barrels and 8,732,000 barrels, respectively, in the week ended July 29, 1944.

Note—Stocks of kerosene at July 28, 1945, amounted to 11,081,000 barrels, as against 10,894,000 barrels as week earlier and 11,490,000 barrels a year before.

Weekly Coal and Coke Production Statistics

The total production of bituminous coal and lignite during the week ended July 28, 1945, is estimated by the United States Bureau of Mines at 11,930,000 net tons, an increase of 430,000 tons, or 3.7%, over the preceding week. Output in the corresponding week of 1944 was 12,385,000 tons. The total production of soft coal from Jan. 1 to July 28, 1945, is estimated at 340,591,000 net tons, a decrease of 6.7% when compared with the 364,969,000 tons preduced during the period from Jan. 1 to Jan. 29, 1944.

Production of Pennsylvania anthracite for the week ended July 28, 1945, as estimated by the Bureau of Mines, was 1,189,000 tons, an increase of 13,000 tons (1.1%) over the preceding week. When compared with the output in the corresponding week of 1944 there was a decrease of 34,000 tons, or 2.8%. The calendar year to date shows a decrease of 16.6% when compared with the corresponding period of 1944.

The Bureau also reports that the estimated production of beehive coke in the United States for the week ended July 28, 1945, showed a decrease of 4,500 tons when compared with the output for the week ended July 21, 1945; and was 36,000 tons less than for the corresponding week of 1944.

ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE IN NET TONS

	Week Ended			Jan. 1 to Date	
Bituminous coal & lignite—	July 28, 1945	*July 21, 1945	July 29, 1944	†July 28, 1945	July 29, 1944
Total, including mine fuel	11,930,000	11,500,000	12,385,000	340,591,000	364,969,000
Daily average	1,988,000	1,917,000	2,064,000	1,921,000	2,039,000

*Revised. †Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE

(In Net Tons)

	Week Ended			Calendar Year to Date		
Penn. anthracite—	‡July 28, 1945	§July 21, 1945	July 29, 1944	July 28, 1945	July 29, 1944	July 31, 1937
*Total incl. coll. fuel	1,189,000	1,176,000	1,223,000	31,257,000	37,466,000	31,225,000
†Commercial produc.	1,141,000	1,129,000	1,174,000	30,008,000	35,967,000	29,664,000
Beehive coke—						
United States total	103,400	108,300	139,400	3,474,600	4,433,000	2,115,500

*Includes washery and dredge coal, and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF BITUMINOUS COAL AND LIGNITE, BY STATES, IN NET TONS

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended		
State—	July 21, 1945	July 14, 1945	July 22, 1944
Alabama	379.000	398,000	355,000
Alaska	6,000	6,000	7,000
Arkansas and Oklahoma	93,000	88,000	87,000
Colorado	124,000	125,000	117,000
Georgia and North Carolina	*	1,000	1,000
Illinois	1,190,000	1,369,000	1,409,000
Indiana	574,000	593,000	553,000
Iowa	42,000	47,000	49,000
Kansas and Missouri	99,000	113,000	150.000
Kentucky—Eastern	945,000	936,000	975,000
Kentucky—Western	408,000	402,000	405,000
Maryland	40,000	40,000	41,000
Michigan	2,000	2,000	2,000
Montana (bitum. & lignite)	83,000	112,000	83,000
New Mexico	31,000	29,000	31,000
North & South Dakota (lignite)	41,000	44,000	37,000
Ohio	768,000	770,000	652,000
Pennsylvania (bituminous)	2,752,000	2,885,000	2,946,000
Tennessee	138,000	131,000	155,000
Texas (bituminous & lignite)	1,000	1,000	2,000
Utah	124,000	131,000	131,000
Virginia	338,000	365,000	376,000
Washington	27,000	18,000	28,000
†West Virginia—Southern	2,010,0000	2,030,000	2,177,000
‡West Virginia—Northern	1,095,000	1,180,000	1,047,000
Wyoming	190,000	195,000	157,000
§Other Western States	*	1,000	*
Total bituminous & lignite	11,500,000	12,010,000	11,973,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. §Includes Arizona and Oregon. *Less than 1,000 tons.

Electric Output for Week Ended Aug. 4, 1945 Exceeds That for Same Week Last Year by 0.7%

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Aug. 4, 1945, was approximately 4,432,304,000 kwh., which compares with $4,399,433,000 kwh. in the corresponding week a year ago and 4,434,841,000 kwh. in the week ended July 28, 1945. The output of the week ended Aug. 4, 1945, was 0.7% in excess of that for the same week last year.

PERCENTAGE INCREASE OVER PREVIOUS YEAR

	Week Ended			
Major Geographical Divisions—	Aug. 4	July 28	July 21	July 14
New England	*2.1	*1.5	*1.0	*2.6
Middle Atlantic	1.6	2.8	3.0	*1.4
Central Industrial	*2.4	*0.4	*1.3	*2.8
West Central	5.4	5.8	2.9	2.6
Southern States	6.9	6.5	4.1	2.4
Rocky Mountain	*0.9	*1.8	*1.6	*1.9
Pacific Coast	*2.2	*4.1	*5.0	*6.8
Total United States	0.7	1.0	0.1	*1.9

*Decrease under similar week in previous year.

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1945	1944	% Change over 1944	1943	1932	1929
May 5	4,397,330	4,233,756	+ 3.9	3,903,723	1,436,928	1,698,942
May 12	4,302,381	4,238,375	+ 1.5	3,969,161	1,435,731	1,704,426
May 19	4,377,221	4,245,678	+ 3.1	3,992,250	1,425,151	1,705,460
May 26	4,329,605	4,291,750	+ 0.9	3,990,040	1,381,452	1,615,085
June 2	4,203,502	4,144,490	+ 1.4	3,925,893	1,435,471	1,689,925
June 9	4,327,028	4,264,600	+ 1.5	4,040,376	1,441,532	1,699,227
June 16	4,348,413	4,287,251	+ 1.4	4,098,401	1,440,541	1,702,501
June 23	4,358,277	4,325,417	+ 0.8	4,120,038	1,456,961	1,723,428
June 30	4,353,351	4,327,359	+ 0.6	4,110,793	1,341,730	1,592,075
July 7	3,978,426	3,940,854	+ 1.0	3,919,398	1,415,704	1,711,625
July 14	4,295,254	4,377,152	— 1.9	4,184,143	1,433,903	1,727,225
July 21	4,384,547	4,380,930	+ 0.1	4,196,357	1,440,386	1,732,031
July 28	4,434,841	4,390,762	+ 1.0	4,226,705	1,426,986	1,724,728
Aug. 4	4,432,304	4,399,433	+ 0.7	4,240,638	1,415,122	1,729,667
Aug. 11		4,415,368		4,287,827	1,431,910	1,733,110
Aug. 18		4,451,076		4,264,824	1,436,440	1,750,056
Aug. 25		4,418,298		4,322,195	1,464,700	1,761,594
Sep. 1		4,414,735		4,350,511	1,423,977	1,674,588

Countries Signing Aviation Agreements

The State Department at Washington made known on July 31 the signing of aviation agreements by various countries. The announcement stated that the Ambassador of Paraguay signed the Interim Agreement on International Civil Aviation, the Convention on International Civil Aviation, the International Air Services Transit Agreement, and the International Air Transport Agreement on July 27. The Ambassador informed the Acting Secretary of State by a note dated and received on that day that the signatures affixed on behalf of his Government to the interim, transit and transport agreements constitute an acceptance of those agreements by the Paraguayan Government and an obligation binding upon it. The advices from the State Department added:

"Other countries which have taken action recently on the civil aviation documents concluded Dec. 7, 1944, are Australia, Belgium, Iraq, Luxembourg, Sweden, Switzerland, and Syria. This action, not previously announced, is as follows:

"The Minister of Australia, signed the transit agreement on July 4.

"The Belgian Ambassador transmitted to the Acting Secretary of State with a note dated July 18 a Declaration signed by the Viscount du Parc on July 17, stating that the signature affixed by him on behalf of Belgium to the transit agreement constitutes an acceptance of that agreement by the Government of Belgium and an obligation binding upon it.

"The Minister of Iraq informed the Acting Secretary of State on June 14 that the Council of Ministers agreed to the accession of Iraq to the transit agreement.

"The Minister of Luxembourg signed the interim agreement, the convention, and the transit agreement on July 9. The Minister stated in a note dated and received on that day, that his signature constitutes an acceptance of the interim agreement by the Government of Luxembourg.

"The Charge d'Affaires ad interim of Sweden informed the Secretary of State by a note dated July 6, and received July 9, that the signature affixed on behalf of Sweden to the interim agreement constitutes an acceptance given on June 29 of the agreement by the Swedish Government and an obligation binding upon it.

"The Minister of Switzerland signed the convention and transit agreement on July 6. In a note dated and received on that day the Minister stated that the signatures affixed on behalf of the Government of Switzerland to the interim and transit agreements constitute an acceptance of those agreements by the Government of Switzerland and a binding obligation upon it.

"Mr. Noureddeen Kahale, Chairman of the Syrian Delegation to that Conference, signed the transit and transport agreements on July 6 with the following reservation on the tranport agreement: 'In accordance with Art. IV, section 1 of this agreement, Syria accepts only the first four privileges in Art., section 1.'

"The Minister of Syria informed the Secretary of State by a note dated and received July 6 that the signature affixed on behalf of the Government of Syria to the interim agreement constitutes an acceptance by the Syrian Government of that agreement and an obligation binding upon it.

"In accordance with the third paragraph of Article XVII, the interim agreement came into force June 6, 1945. The agreement further provides that 'Thereafter it will become binding as to each other State indicating its acceptance to the Government of the United States on the date of the receipt of the acceptance by that Government.'"

Revenue Freight Car Loadings for the Week Ended July 28, 1945 Increased 3,948 Cars

Loading of revenue freight for the week ended July 28, 1945, totaled 886,271 cars, the Association of American Railroads announced on Aug. 2. This was a decrease below the corresponding week of 1944 of 23,219 cars, or 2.6%, but an increase above the same week in 1943 of 746 cars or 0.1%.

Loading of revenue freight for the week of July 28 increased 3,948 cars, or 0.4% above the preceding week.

Miscellaneous freight loading totaled 390,700 cars, a decrease of 1,212 cars below the preceding week, and a decrease of 10,005 cars below the corresponding week in 1944.

Loading of merchandise less than carload lot freight totaled 103,507 cars, a decrease of 177 cars below the preceding week and a decrease of 338 cars below the corresponding week in 1944.

Coal loading amounted to 173,075 cars, an increase of 4,192 cars above the preceding week, but a decrease of 6,464 cars below the corresponding week in 1944.

Grain and grain products loading totaled 67,849 cars a decrease of 703 cars below the preceding week but an increase of 10,441 cars above the corresponding week in 1944. In the Western Districts alone, grain and grain products loading for the week of July 28 totaled 43,658 cars, a decrease of 1,704 cars below the preceding week but an increase of 3,933 cars above the corresponding week in 1944.

Livestock loading amounted to 14,353 cars, an increase of 673 cars above the preceding week but a decrease of 525 cars below the corresponding week in 1944. In the Western Districts alone loading of livestock for the week of July 28 totaled 10,522 cars, an increase of 788 cars above the preceding week, and an increase of 326 cars above corresponding week in 1944.

Forest products loading totaled 46,213 cars, an increase of 2,199 cars above the preceding week but a decrease of 6,899 cars below the corresponding week in 1944.

Ore loading amounted to 76,258 cars, a decrease of 454 cars below the preceding week and a decrease of 8,915 cars below the corresponding week in 1944.

Coke loading amounted to 14,316 cars a decrease of 570 cars below the preceding week, and a decrease of 514 cars below the corresponding week in 1944.

All districts reported decreases compared with the corresponding week in 1944. All districts reported decreases compared with 1943, except the Southern, Centralwestern and Southwestern.

	1945	1944	1943
4 Weeks of January	3,001,544	3,158,700	2,910,638
4 Weeks of February	3,049,697	3,154,116	3,055,725
5 Weeks of March	4,018,627	3,916,037	3,845,547
4 Weeks of April	3,374,438	3,275,846	3,152,879
4 Weeks of May	3,452,977	3,441,616	3,363,195
5 weeks of June	4,364,662	4,338,886	4,003,393
Week of July 7	726,404	744,347	808,630
Week of July 14	883,268	903,901	877,335
Week of July 21	882,323	902,092	883,838
Week of July 28	886,271	909,490	885,525
Total	24,640,211	24,745,031	23,786,705

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended July 28, 1945. During the period 61 roads showed increases when compared with the corresponding week a year ago.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMEER OF CARS) WEEK ENDED JULY 28

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1945	1944	1943	1945	1944
Eastern District—					
Ann Arbor	288	285	235	1,377	1,419
Bangor & Aroostook	1,344	1,065	939	325	530
Boston & Maine	6,699	6,670	6,394	12,517	14,014
Chicago, Indianapolis & Louisville	1,141	1,265	1,432	1,935	2,130
Central Indiana	38	29	29	46	68
Central Vermont	1,030	1,156	1,078	2,093	2,383
Delaware & Hudson	4,897	5,232	6,717	11,383	12,956
Delaware, Lackawanna & Western	7,659	8,069	7,909	11,583	10,860
Detroit & Mackinac	269	198	190	140	144
Detroit, Toledo & Ironton	1,775	1,758	2,112	1,425	1,325
Detroit & Toledo Shore Line	397	325	290	2,304	2,666
Erie	13,268	13,403	14,448	15,694	18,033
Grand Trunk Western	3,691	4,027	3,743	7,977	7,834
Lehigh & Hudson River	149	161	158	3,440	2,623
Lehigh & New England	2,155	2,038	2,090	1,032	1,782
Lehigh Valley	8,832	8,871	9,052	11,085	16,034
Maine Central	2,783	2,356	2,284	2,688	2,736
Monongahela	6,436	6,477	6,388	333	349
Montour	2,865	2,634	2,245	19	14
New York Central Lines	51,889	52,749	56,789	49,826	55,722
N. Y., N. H. & Hartford	10,081	9,216	9,903	16,579	18,229
New York, Ontario & Western	895	1,296	1,280	3,245	3,246
New York, Chicago & St. Louis	7,396	6,686	7,561	14,947	16,169
N. Y., Susquehanna & Western	404	402	460	2,087	2,196
Pittsburgh & Lake Erie	7,192	8,112	7,686	9,701	9,049
Pere Marquette	5,212	5,755	5,017	7,223	7,984
Pittsburgh & Shawmut	883	865	906	34	23
Pittsburg, Shawmut & North	228	366	426	236	269
Pittsburgh & West Virginia	968	1,394	998	2,724	3,103
Rutland	378	399	350	1,170	1,140
Wabash	6,625	6,181	5,404	10,907	12,455
Wheeling & Lake Erie	6,554	6,170	5,293	4,274	4,536
Total	164.421	165,610	169,806	210,349	232,021
Allegheny District—					
Akron, Canton & Youngstown	805	741	798	1,020	1,284
Baltimore & Ohio	48,190	48,423	43,718	27,092	31,458
Bessemer & Lake Erie	6,312	7,251	6,066	2,121	2,294
Buffalo Creek & Gauley	†	†	289	†	†
Cambria & Indiana	1,618	1,708	1,832	9	8
Central R. R. of New Jersey	6,615	7,152	7,325	18,219	20,953
Cornwall	452	478	686	46	63
Cumberland & Pennsylvania	171	214	227	16	12
Ligonier Valley	136	150	133	72	53
Long Island	2,632	2,611	1,857	4,337	4,862
Penn-Reading Seashore Lines	1,651	1,603	1,720	2,288	2,847
Pennsylvania System	90,391	91,420	90,013	62,978	67,793
Reading Co.	15,029	14,257	16,356	27,307	30,055
Union (Pittsburgh)	19,174	19,563	22,072	7,389	7,711
Western Maryland	4,038	4,708	4,344	12,603	13,145
Total	197,214	200,279	197,436	165,497	182,538
Pocahontas District—					
Chesapeake & Ohio	28,981	29,849	29,015	14,845	13,800
Norfolk & Western	21,206	22,258	22,885	7,578	8,656
Virginian	4,590	4,752	5,016	2,151	2,218
Total	54,777	56,859	56,916	24,574	24,674
Southern District—					
Alabama, Tennessee & Northern	554	428	271	302	497
Atl. & W. P.—W. R. R. of Ala.	796	798	631	2,336	2,228
Atlanta, Birmingham & Coast	916	882	848	1,118	1,312
Atlantic Coast Line	9,459	10,086	11,368	9,090	9,829
Central of Georgia	3,784	3,915	3,784	4,300	5,428
Charleston & Western Carolina	865	712	372	2,094	1,661
Clinchfield	1,963	1,942	1,793	3,333	3,095
Columbus & Greenville	252	197	311	223	281
Durham & Southern	87	127	113	654	541
Florida East Coast	760	832	1,483	1,038	1,391
Gainesville Midland	47	48	48	114	107
Georgia	1,401	1,324	1,074	2,841	2,280
Georgia & Florida	600	399	491	562	690
Gulf, Mobile & Ohio	4,854	4,558	3,846	5,045	4,655
Illinois Central System	27,183	28,165	28,498	16,657	16,722
Louisville & Nashville	27,025	26,915	25,885	12,608	11,804
Macon, Dublin & Savannah	285	206	258	715	721
Mississippi Central	413	315	267	525	870
Nashville, Chattanooga & St. L.	3,267	3,155	3,284	4,316	4,741
Norfolk Southern	1,023	1,626	1,591	1,275	1,651
Piedmont Northern	429	382	350	1,275	1,179
Richmond, Fred. & Potomac	521	440	434	8,564	10,816
Seaboard Air Line	8,879	9,701	9,629	7,815	8,736
Southern System	26,372	26,212	22,076	25,067	25,441
Tennessee Central	604	662	520	908	770
Winston-Salem Southbound	132	127	100	1,035	1,005
Total	122,471	124,154	119,325	113,811	118,451
Northwestern District—					
Chicago & North Western	19,782	19,829	22,313	15,200	13,627
Chicago Great Western	2,262	2,574	2,849	3,615	3,219
Chicago, Milw., St. P. & Pac.	22,856	22,258	21,171	11,449	10,493
Chicago, St. Paul, Minn. & Omaha	3,511	3,193	4,191	4,048	3,874
Duluth, Missabe & Iron Range	26,225	30,502	27,336	346	307
Duluth, South Shore & Atlantic	705	548	1,024	545	425
Elgin, Joilet & Eastern	8,340	9,559	8,610	9,335	10,899
Ft. Dodge, Des Moines & South	387	426	448	119	84
Great Northern	20,771	24,201	26,935	9,776	7,200
Green Bay & Western	386	475	422	901	1,036
Lake Superior & Ishpeming	2,114	2,562	2,679	68	48
Minneapolis & St. Louis	2,241	2,168	2,027	2,767	2,678
Minn., St. Paul & S. S. M.	6,794	7,769	7,106	3,351	3,225
Northern Pacific	11,674	12,207	11,647	6,880	6,405
Spokane International	340	178	204	607	627
Spokane, Portland & Seattle	2,927	3,256	2,881	4,747	3,431
Total	131,315	141,705	141,843	73,754	67,578
Central Western District—					
Atch., Top. & Santa Fe System	29,253	29,045	21,339	16,083	13,469
Alton	3,629	3,624	3,367	3,705	4,411
Bingham & Garfield	320	321	462	88	78
Chicago, Burlington & Quincy	21,813	20,885	22,308	13,529	12,958
Chicago & Illinois Midland	3,037	3,256	3,000	839	810
Chicago, Rock Island & Pacific	13,177	14,887	13,064	14,755	13,742
Chicago & Eastern Illinois	3,082	2,850	2,520	4,672	6,621
Colorado & Southern	753	765	899	3,346	2,450
Denver & Rio Grande Western	3,475	4,161	3,990	7,323	5,913
Denver & Salt Lake	621	755	709	76	15
Fort Worth & Denver City	860	1,126	988	2,293	2,053
Illinois Terminal	2,028	2,610	1,856	2,267	2,240
Missouri-Illinois	1,255	1,193	1,207	720	591
Nevada Northern	1,394	1,658	1,962	120	113
North Western Pacific	963	1,124	959	1,080	967
Peoria & Pekin Union	10	1	11	0	0
Southern Pacific (Pacific)	34,004	34,320	33,399	14,489	15,111
Toledo, Peoria & Western	370	304	269	2,062	2,001
Union Pacific System	19,390	18,618	16,306	21,756	17,990
Utah	618	449	602	6	7
Western Pacific	2,340	2,066	2,604	4,692	4,327
Total	142,392	144,018	131,821	113,901	105,867
Southwestern District—					
Burlington-Rock Island	422	777	386	805	312
Gulf Coast Lines	4,591	5,549	4,504	2,520	2,644
International-Great Northern	2,729	2,758	1,840	3,198	3,698
Kansas, Oklahoma & Gulf	369	318	325	1,069	981
Kansas City Southern	3,517	5,907	4,876	3,368	2,881
Louisiana & Arkansas	3,278	3,859	3,206	2,666	2,658
Litchfield & Madison	357	319	349	1,306	1,249
Midland Valley	761	737	709	549	434
Missouri & Arkansas	213	167	207	536	344
Missouri-Kansas-Texas Lines	6,790	6,751	5,415	4,515	5,260
Missouri Pacific	19,897	18,469	17,325	18,366	19,180
Quanah Acme & Pacific	122	65	63	463	428
St. Louis-San Francisco	10,778	10,077	9,224	8,513	8,764
St. Louis-Southwestern	3,870	3,234	2,703	6,253	7,516
Texas & New Orleans	9,767	12,288	11,762	5,476	5,800
Texas & Pacific	6,100	5,440	5,321	7,225	8,053
Wichita Falls & Southern	100	107	145	35	39
Weatherford M. W. & N. W.	20	43	18	2	48
Total	73,681	76,865	68,378	66,865	70,289

†Included in Baltimore & Ohio RR.
Note—Previous year's figures revised.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1945—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Percent of Activity Cumulative
April 7	203,891	146,832	604,720	92	94
April 14	159,733	158,938	604,214	97	94
April 21	125,708	162,040	564,631	98	95
April 28	142,387	158,854	546,311	99	95
May 5	223,162	161,764	605,892	97	95
May 12	152,208	153,111	602,717	94	95
May 19	126,285	158,532	565,867	97	95
May 26	129,327	157,794	532,257	97	95
June 2	168,204	153,359	546,211	93	95
June 9	189,674	159,228	575,167	97	95
June 16	129,618	159,230	537,182	96	95
June 23	115,768	157,932	491,287	96	95
June 30	166,083	156,447	499,505	96	95
July 7	180,155	99,960	575,918	62	94
July 14	151,085	145,797	575,134	90	94
July 21	121,864	156,619	537,639	96	94
July 28	127,772	156,519	507,758	95	94

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

"Ration Banking" Accounts in NY State

More than 153,000 "ration banking" accounts, which enable sellers and distributors of food, shoes, and gasoline to do business by check instead of handling millions of coupons and tokens, are maintained in New York State's 700 commercial banks, according to a survey made public on Aug. 3 by the New York State Bankers Association. The advices state:

"The banks handle an average of 2,966,800 ration transactions a month, receiving deposits, clearing checks, maintaining records, and sending out statements, exactly as though they were dealing with dollars and cents instead of ration coupons and tokens.

"Ration banking, one of the few wartime services for which the government compensates the banks—a small service charge is allowed for maintaining accounts and for items handled—is little known to the public but it is an important cog in the machinery established by the OPA. The bank is liaison between producers, processors, distributors and retailers of rationed goods. The retailer opens an account with the bank, using ration stamps, coupons, and certificates instead of money. He deposits these items and draws checks against his account in favor of the wholesaler as part of the system in replenishing his supply of goods to sell to the consumer.

"Wholesalers also maintain ration accounts in the banks, and use credits received from the retail trade to 'pay' for goods supplied by producers and processors. The ration banking system, evolved in March, 1943, was first introduced in New York State banks, and after a three-months tryout period went into operation throughout the nation.

"More than 3,397 of the state's 56,000 bank employees are regularly required to keep ration banking operating smoothly in New York State. These employees devote an average of 80,000 manhours monthly to this phase of the war effort."

Report of Lumber Movement

According to the National Lumber Manufacturers Association, lumber shipments of 460 mills reporting to the National Lumber Trade Barometer were 3.1% below production for the week of July 28, 1945. In the same week new orders of these mills were 13.3% less than production. Unfilled order files of the reporting mills amounted to 112% of stocks. For reporting softwood mills, unfilled orders are equivalent to 37 days' production at the current rate, and gross stocks are equivalent to 32 days' production. For the year-to-date, shipments of reporting identical mills exceeded production by 5.2%; orders by 9.1%. Compared to the average corresponding week of 1935-1939, production of reporting mills was 3.0% more; shipments were 2.8% more; orders were 10.3% less.

Lumber shipments of 470 mills reporting to the National Lumber Trade Barometer were 10.9% below production for the week July 21, 1945. In the same week new orders of these mills were 5.7% less than production. Unfilled order files of the reporting mills amounted to 109% of stocks. For reporting softwood mills, unfilled orders are equivalent to 38 days' production at the current rate, and gross stocks are equivalent to 33 days' production. For the year-to-date, shipments of reporting identical mills exceeded production by 0.7%; orders by 0.8%. Compared to the average corresponding week of 1935-1939, production of reporting mills was 8.4% more; shipments were 1.7% more; orders were 4.5% greater.

Items About Banks, Trust Companies

Frank K. Houston, President of the Chemical Bank & Trust Company of New York, announces the appointment of Pierce Onthank as Assistant Vice-President. Mr. Onthank is a graduate of Williams College and the Harvard School of Business, and began his banking career in 1927 with the First National Bank of Boston, Mass. In June, 1940 he was elected Vice-President of the New London City National Bank of New London, Conn., becoming President of that bank in 1941. He will report for duty with the Chemical on Sept. 4.

Irving Trust Company of New York announced on Aug. 2 the promotion of George W. Dietz, Morgan S. MacDonald, and John F. McIlwain from the rank of Assistant Secretary to Assistant Vice-President. Mr. Dietz is associated with the company's out of town business, Mr. MacDonald with its New York City business and Mr. McIlwain with its personal trust business.

At a meeting of the board of directors of Sterling National Bank & Trust Co. of New York, on Aug. 2, Henry W. Drath was elected an Assistant Vice-President. He will be in the foreign department of the bank's main office at Broadway and 39th Street. Mr. Drath was formerly in the foreign department of The Chase National Bank at the main office, and before the war traveled extensively in European countries on the bank's behalf.

Alvin G. Brush, Chairman of the board of American Home Products Corp., was elected to the board of directors of Manufacturers Trust Co. at a meeting held on Aug. 6. Mr. Brush is also a director of Buck Hill Falls Co., H. D. Roosen Co., and Stevens Nelson Paper Co. He has been Chairman of the board of American Home Products Corp. since 1935. In addition to his business affiliations Mr. Brush is also a trustee of Long Island College of Medicine.

David M. Williams, Executive Vice-President of the Washington Irving Trust Co. of Port Chester and Tarrytown, N. Y., died on July 30. He was 57 years of age. In the New York "Sun" of Aug. 1 it was stated:

"He became Executive Vice-President of the bank when it assumed the deposit liabilities of the First National Bank of Port Chester in 1941. He had been Assistant to the President of the latter institution. Active in civic work, Mr. Williams was an organizer of the community chest, a former President of the Rotary Club, and an officer or member of other groups."

State Street Trust Co. of Boston directors, according to the "Boston News Bureau," have voted to recommend to stockholders the reduction of the present par value of the bank's shares from $100 to $20, each old share to be exchanged for five new shares and the total capital stock to be increased from 40,000 to 200,000 shares. From the same news account we quote:

"They also have voted the transfer, effective immediately, of $1,000,000 from undivided profits to the present surplus of $5,000,000. After this transfer the bank will have capital of $4,000,000, surplus of $6,000,000 and, on the basis of the July 1, 1945, figures, undivided profits of $1,213,907.

"A meeting of stockholders to pass upon the recommendations will be called for Monday, September 10."

Kelley Graham, President of the First National Bank of Jersey City, N. J., and Louis R. Buckbee, President of the Harrison National Bank of Harrison, N. J., have announced that a consolidation of the two banks is under consideration by their respective boards of directors. Preliminary discussions have .disclosed considerable interest in the proposed step, it is stated.

The advices also state:

"The Jersey City institution is desirous of extending its activities in this section of the county and the management of the Harrison National Bank is aware of the greater scope of service which may be rendered to the community by such a consolidation, the First National Bank of Jersey City having a much larger capital structure. Both institutions have shown continued substantial growth in number of depositors as well as in deposits, and their combined total assets would make one of the largest banks in Hudson County.

"It is contemplated that the present office of the Harrison National Bank will be known as the Harrison Office of the First National Bank of Jersey City. Horatio W. Manning, at present Vice-President of the Harrison National Bank, will be Vice-President of the consolidation institution in charge of the Harrison Office."

President John K. Thompson of the Union Bank of Commerce of Cleveland reported on July 25 that the bank's net profit for six months ended June 30, 1945, after transfers to reserves was $304,984 This is equal to $8.64 a share on the 35,300 outstanding shares of capital stock. In the corresponding period last year net profit was $214,896, or $6.09 a share. Net earnings from current operations in the first half of 1945 before transfers to reserves were $442,970, or $12.55 a share, comparing with $335,255, or $9.50 a share, in the first half of 1944. It is also stated that Union Bank of Commerce has an asset of substantial value in capital stock of Union Properties, Inc. Nothing is included in the foregoing earnings figures relating to this asset.

The Cleveland Trust Co. of Cleveland, O., announced on July 29 the promotion of Harold A Wood from manager of the bank's credit department to Assistant Treasurer and the appointment of Wilbur G. Wheeler as manager of the credit department, according to the Cleveland "Plain Dealer."

Election of directors for the newly organized Kenosha National Bank, of Kenosha, Wis., was announced simultaneously with the report that all of the stock had been subscribed, and that the maximum number of stockholders. 100, had been reached. This is learned from special advices from Kenosha to the Minneapolis "Journal" which also said:

"The directors are Judge Edward J. Ruetz, Ald. John T. Steinmetz, Hans Guttormsen and H. C Hyslop, businessmen; Chris A Juliani and Leo E. Vaudreuil, attorneys, and Daniel H. Cooney formerly of Sheboygan, who will be in charge of the business of the bank.

"The bank is capitalized at $200,000. The new bank will occupy quarters of the former United States National Bank and is expected to open for business about Sept. 1."

Directors of First Bank Stock Corp. of Minneapolis, it is learned from the Minneapolis "Journal" of July 20, have declared a semi-annual dividend of 40 cents per share on capital stock of the corporation, payable Sept. 10, to stockholders of record at close of business Aug. 17. The advices also stated:

"Total to be paid amounts to $1,132,475.20. A dividend of 35 cents per share, amounting to $990,915.80, was paid to stockholders on March 12.

"The 72 bank affiliates of First Bank Stock Corp. had combined net operating earnings for the first half of 1945 aggregating $2,906,537.

"The portion thereof applicable to the parent corporation, together with results of the operations o fthe corporation and other active affiliates, produced combined net operating earnings of $2,786,659 or the equivalent of 98 cents per share on the 2,831,188 shares of stock outstanding on June 30, 1945.

"The latter figure compares with combined net operating earnings of $2,413,492, equal to 85 cents per share, for the first half of 1944."

After 60 years of active business life, Theodore Albrecht, Vice-President of Northwest Bancorporation of Minneapolis, announced on Aug. 1 his retirement, effective at once. Mr. Albrecht, says the Minneapolis "Journal," became Vice-President of Banco in 1929, when that organization acquired control of the Union Investment Co., of which he was President. From the paper indicated we also quote:

He helped organize a number of banks in North Dakota and Minnesota, at one time being a director in 26 banks. In 1911 he was elected Secretary of the Union Investment Co. of Minneapolis, which was formed in 1903 and is the oldest group banking organization in the United States He assumed the Presidency of that firm in 1921.

At the time Northwest Bancorporation acquired control of it, Union Investment Co. included 32 banks in Minnesota, North Dakota and Wisconsin.

In his duties as Vice-President of Banco, Mr. Albrecht continued to serve as President of Union Investment and of Northwest Mortgage Co., also a Banco subsidiary.

The First National Bank of Atlanta, Ga., announces that Frank T. Davis resumed his position Aug. 1 as Vice-President of the bank following his release as a lieutenant-colonel in the United States Army.

Mills B. Lane, Chairman of the board of the Citizens & Southern National Bank and founder and first President of the Georgia Bankers Association, died on Aug. 6. Associated Press advices from Savannah, in reporting his death, said:

His father established the private banking house of R. Y. Lane & Company in Valdosta, Ga., after the Civil War, and Mr. Lane went to work there in 1881 after two years at Vanderbilt University. In 1888, with his father, he organized the Merchants Bank of Valdosta. He came to Savannah in 1891 as Vice-President of the Citizens Bank of Savannah, predecessor of the Citizens & Southern National Bank. Mr. Lane was President from 1901 to 1928, when he became Chairman of the board.

He was Vice-President and director of the Savannah Sugar Refinery and director of the Ocean Steamship Company, the Savannah & Atlantic Railway, and several other corporations. His family includes four sons, viz.: Mills B. Lane, Jr., First Vice-President of the Citizens & Southern National Bank; Hugh Comer Lane, President of the Citizens & Southern National Bank of South Carolina; Romer Young Lane and Edward Lane. Mr. Lane was 84 years of age.

The recently authorized increase in the capital and surplus of the Republic National Bank of Dallas, Tex., was ratified at a special meeting of the shareholders recently. In reporting this advices in the Dallas "Times-Herald" July 24 said:

"The stockholders adopted a resolution, voted by the directors July 10, authorizing an increase in the capital and surplus of the bank to $20,000,000. The capital stock will be increased from $7,500,000 to $10,000,000 and the surplus from $7,500,000 to $10,000,000.

"At present there are 375,000 shares of stock outstanding and the stockholders' resolution provides for the issuance of 125,000 additional shares at $40 per share, with preemptive 'rights' to the shareholders of record as of July 24, 1945, subject to payment not later than Aug. 14. Three 'rights' will be required for each new share of stock obtained at $40 per share.

"'The $5,000,000 increase in our structure was voted by the directors and stockholders,' said Fred F. Florence, President of the bank, 'because of the increase in the volume of business and in anticipation of the expansion and new installations in the South by national and state concerns which view the post-war potentialities of this area with great favor.'"

W. W. Gibbs, Jr., a Vice-President of the Security-First National Bank of Los Angeles and the founder and first President of the Los Angeles chapter of the American Institute of Banking, died on July 25 from a heart attack while on his way home from the bank, according to the Los Angeles "Times." He was 72 years of age.

Sir Frederick Williams-Taylor. director of the Bank of Montreal and one of Canada's leading bankers and a prominent figure in international finance, died at Montreal on Aug. 2. He was 82 years of age.

Harbor Improvement Project Vetoed

A bill authorizing expenditure of $2,738,000 for harbor improvements at Savannah, Ga., and $1,867,000 at Two Harbors, Minn., was vetoed by President Truman on July 31, according to special advices to the New York "Times" from Washington, on that date. The President, in his veto message, expressed objection to the bill on the ground that, as passed by the House, it omits a provision deferring construction of the project until after the war unless needed in the prosecution of the war.

"It seems to me that piecemeal legislation of this nature is inappropriate," the "Times" reported the President to have said, "since it does not take into account a well-considered and well-rounded plan for projects to be undertaken in a definite order of national preference and desirability.

"Approval of the bill under consideration would permit, upon the availability of funds therefor, the immediate undertaking of these two projects and thus place them in a status preferential to the large number of projects that have been authorized by Congress during the war period which are not essential to the prosecution of the war."

The "Times" further said:

"Delivery of the President's veto message to the clerk of the House posed a parliamentary problem for which there was no precedent.

"If the House now stood adjourned the bill would be considered dead since there would be no later opportunity for a taking of a vote to override the veto. But since the House is in recess until Oct. 8, the question arises whether it will have an opportunity to vote on a motion to override after it is reconvened.

"This parliamentary question cannot be decided until the Representatives meet in the fall, the House Parliament said."

Mutual Bank Deposits, Assets at New Peak

Further gains in deposits, number of depositors and assets during the first six months of the year have been announced by the National Association of Mutual Savings Banks, bringing these totals to new record levels. Today mutual institutions are serving the largest number of the people in their 129 years of operation, safeguarding the greatest sum of small capital ever held by one group of banks, according to the announcement issued Aug. 3.

Commenting upon the significance of this accumulated capital, President Isaac W. Roberts of the Association and President of The Philadelphia Saving Fund Society, said: "As the Pacific war progresses and draws to a close, more and active consideration will be given to the task of conversion and the economy necessary to an orderly change from war to peace. The too early and too rapid removal of price control, accompanied by the unleashing of pent-up purchasing power and before a reasonable balance between supply and demand has been established, easily might produce disastrous inflation."

Deposits in the first six months were increased by $1,046,602,570, the largest increase ever registered for mutual deposits in a six-month period, the present top mark being $14,378,413,200. Increase of assets balanced the gain in deposits—this asset gain amounting to $1,140,682,415, a total of $15,953,333,612.

From the advices of the Association we also quote:

"According to mutual savings bank officials the number of depositors is a tested guide of savings trends. The increase of mutual depositors in the first half year was 404,504, raising the total to the record of 16,725,733. As each account usually represents the welfare of at least two persons, the figures indicate that at least a fourth of the American people have a first line of defense in their mutual savings accounts.

"Combined surplus of mutual savings banks rose by $85,135,960 to the high point of $1,539,874,268, which established a surplus ratio of 10.7%, one of the most substantial afforded any large sum of small capital.

"Although deposits were brought to an imposing total, the average passbook balances for 16 millions of accounts was $859.66, which included all types of special purpose accounts, such as Christmas Clubs and school savings. Regular accounts—far in the majority—averaged $1,052.06. The average dividend rate paid upon deposits was 1.70%.

"While assisting the public in every possible way with its day to day banking in limited sums, every mutual savings bank is a distributing agency of War Savings Bonds and has helped the public to buy $2 billions of these securities."

New Argentine Bond Issue

The Federal Reserve Bank of New York announced on Aug. 4 the receipt from the Banco Central de la Republica Argentina, at Buenos Aires, of the following cablegram dated Aug. 2:

"Argentine Government will offer for public subscription during period between 6th and 9th August 100,000,000 pesos new bonds to be called Credito Argentino Interno 3% 1945-55 with cumulative sinking fund 2% per annum during first five years and 16.612% during remaining five years. Sinking fund will operate quarterly, both cases. Net placing price 94.50%. Amount to be offered may be increased within total authorized amount 300,000,000 pesos after reserve of up to 20% has been set aside for market regulation purposes."